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Opposition Picks Populist To Be Japan's New Leader

Seven-Party Coalition Vows Sweeping Political And Economic Reforms

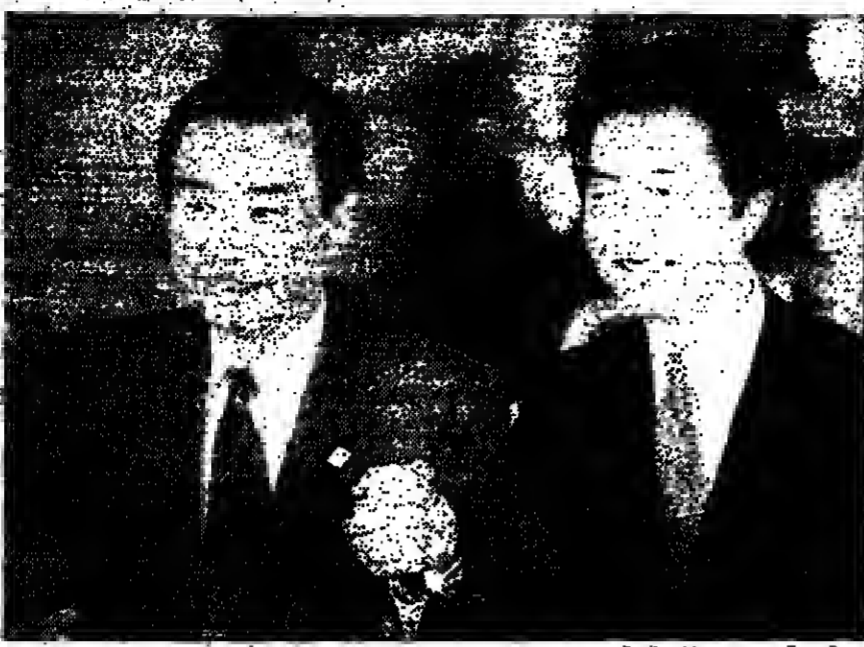
By James Sterngold
New York Times Service

TOKYO — Morihiro Hosokawa, a conservative populist who has promised to reduce the intrusive role of government in the Japanese economy, was all but assured Thursday of becoming the country's first non-Liberal Democratic prime minister in 38 years when he was chosen to lead a coalition of opposition parties.

The selection of Mr. Hosokawa, 55, is expected to be formalized at a special session of parliament in the first week of August.

"The leaders of the seven parties have made this decision, so I humbly will comply with this divine mission," said Mr. Hosokawa, who left the Liberal Democrats 14 months ago to begin his reform movement.

Thursday's decision capped two of the most dramatic months of change in recent political history and launched the industrial world's



Morihiro Hosokawa, right, with Tsutomu Hata, another opposition leader, following Mr. Hosokawa's appointment on Thursday as their coalition's candidate for prime minister.

Tokyo Keeps Nuclear Options Open

Foreign Minister Kabin Muto of Japan says his country must possess the will to develop a nuclear arsenal in case it one day faces a nuclear threat from North Korea.

Mr. Muto did not suggest that Japan should begin developing such weapons now, only that it should rule out the possibility of ever doing so. Page 4.

German Indifference Puts Franc at Market's Mercy

By Carl Gewirtz
International Herald Tribune

PARIS — The Bundesbank, ignoring widespread expectations that it would come to the aid of Europe's tottering monetary system and beleaguered economies, left its key interest rate unchanged Thursday, plunging the European exchange-rate system into renewed crisis.

The German central bank refused to trim its key discount rate, in favor of defending the Deutsche mark against the threat of inflation, leaving the way clear for speculators to challenge the European currency grid.

The decision to favor German domestic concerns over Europe's broader problems threw into doubt the goal of monetary union that is at the heart of the European Community's plans for economic and political integration.

The Bundesbank as well as the French, Dutch and Belgian central banks said they were intervening in defense of the French and Belgian francs and the Danish krone. French stock and bond prices soared on the assumption that the franc would be forced out of the system, opening the way for France to cut its own interest rates.

In the evening, Prime Minister Edouard Balladur convened a crisis meeting with policymakers including Finance Minister Edmond Alphandery, the central bank governor, Jac-

ques de Larosiere, and Jean-Claude Trichet, the Treasury director. Officials refused to comment on the talks.

"The situation in the ERM is unsustainable," said Paul Chertkow, London-based analyst at Union Bank of Switzerland.

The Bundesbank had been expected to cut its key discount rate from 6.75 percent, but instead only reduced its less important Lombard rate to 7.75 percent from 8.25 percent. The discount rate, charged on a limited number of loans to commercial banks, is the effective floor of the German money market, while the unrestricted Lombard rate is its ceiling. When rates are falling, reductions in the floor rate are the more important.

Many investors were misled by the Bundesbank's Wednesday reduction in its rate on 28-day repurchase agreements, which it uses to guide money market rates between the discount and Lombard levels. The repo rate was trimmed to 6.95 percent from 7.15 percent, putting it closer to the discount rate than the traditional half-point spread.

Norbert Walter at Deutsche Bank, while expressing dismay at the German central bank's act, said, "I sincerely hope the Bundesbank move is not misunderstood and seen in the market as attack on the ERM." He said the readiness of the central banks to intervene in

Fallout

Shockwaves were felt across Europe in the aftermath of the Bundesbank's decision to maintain its discount rates:

- The Belgian, Danish, French, Portuguese and Spanish central banks intervened in support of their currencies.
- Stock prices surged in London and Paris, where speculators gambled that the franc might leave the monetary system.
- The president of the Danish central bank, Erik Hoffmeyer, said the bank was determined to defend the krone.

the foreign-exchange market Thursday demonstrated the official will to support the system.

There was no immediate prospect for an end to the speculative crisis.

Some analysts speculated that there could be an ERM realignment or collapse as early as this weekend; others said the French government would fight on to defend the franc, which most observers believe cannot drop out of the exchange-rate system without causing its collapse.

Another option would be temporarily sus-
See GRID, Page 12

Japan's next leader descends from a centuries-old line of shoguns and warlords. Page 4.

most conservative nation on a slow journey toward a more open economy, greater support for consumers and a more active role internationally — all goals that the United States has pushed in recent years.

The decision would install a sort of political rainbow coalition of conservatives and socialists whose many policy differences have been papered over so they can achieve their principal shared aims — to unseat the discredited Liberal Democrats and to reform the corrupt electoral system.

Beyond those goals there is great uncertainty over the speed of any changes, in particular because some of the proposed policies are expected to face fierce resistance from powerful government bureaucrats.

"This is the beginning of the beginning of something," said Haruo Shimada, an economics professor at Keio University and an adviser to Mr. Hosokawa's party, the Japan New Party. "It's part of an important learning process for all Japanese. We've chosen to change the power structure. Now we have to think about what we want the new government to do."

"In the short term," he said, "I don't think there'll be any changes. But in the long run, over 10 years to tackle some of these problems."

The first two items the new government is expected to tackle are a budget for next year that will provide a heavy jolt of spending to lift the economy from its stubborn recession, and legislation to end corporate political donations and to reshape the electoral districts after five years of money scandals.

The coalition promised in a platform statement that it would generally preserve the foreign and security policies of the current government, particularly the security relationship with the United States. But in one highly symbolic departure, it said it intended to open a new era in relations with Asia by confronting the memories of World War II and offering for the first time a full apology for the suffering caused by Japanese aggression.

Beyond that, however, lies great uncertainty.
See JAPAN, Page 4

3-Way 'Union' In Bosnia Urged At Geneva Talks

By David B. Ottaway
Washington Post Service

GENEVA — The two international mediators conducting the Bosnian peace talks proposed Thursday to the three warring parties that they agree to divide Bosnia into a "union" of three republics, apparently along ethnic lines.

The mediators, Lord Owen and Thorvald Stoltenberg, submitted what conference sources described as an "integral draft" outlining a plan to create the United Republics of Bosnia-Herzegovina.

The mediators reportedly submitted no map outlining the precise borders of the proposed three republics. However, any suggestion of a three-way division of Bosnia is certain to be taken by all three factions as an endorsement by the two men of the partition of Bosnia on an ethnic basis.

This would represent a major change from the plan their predecessor, Cyrus R. Vance, had submitted for the division of the country into 10 semi-autonomous provinces, but not strictly along ethnic lines.

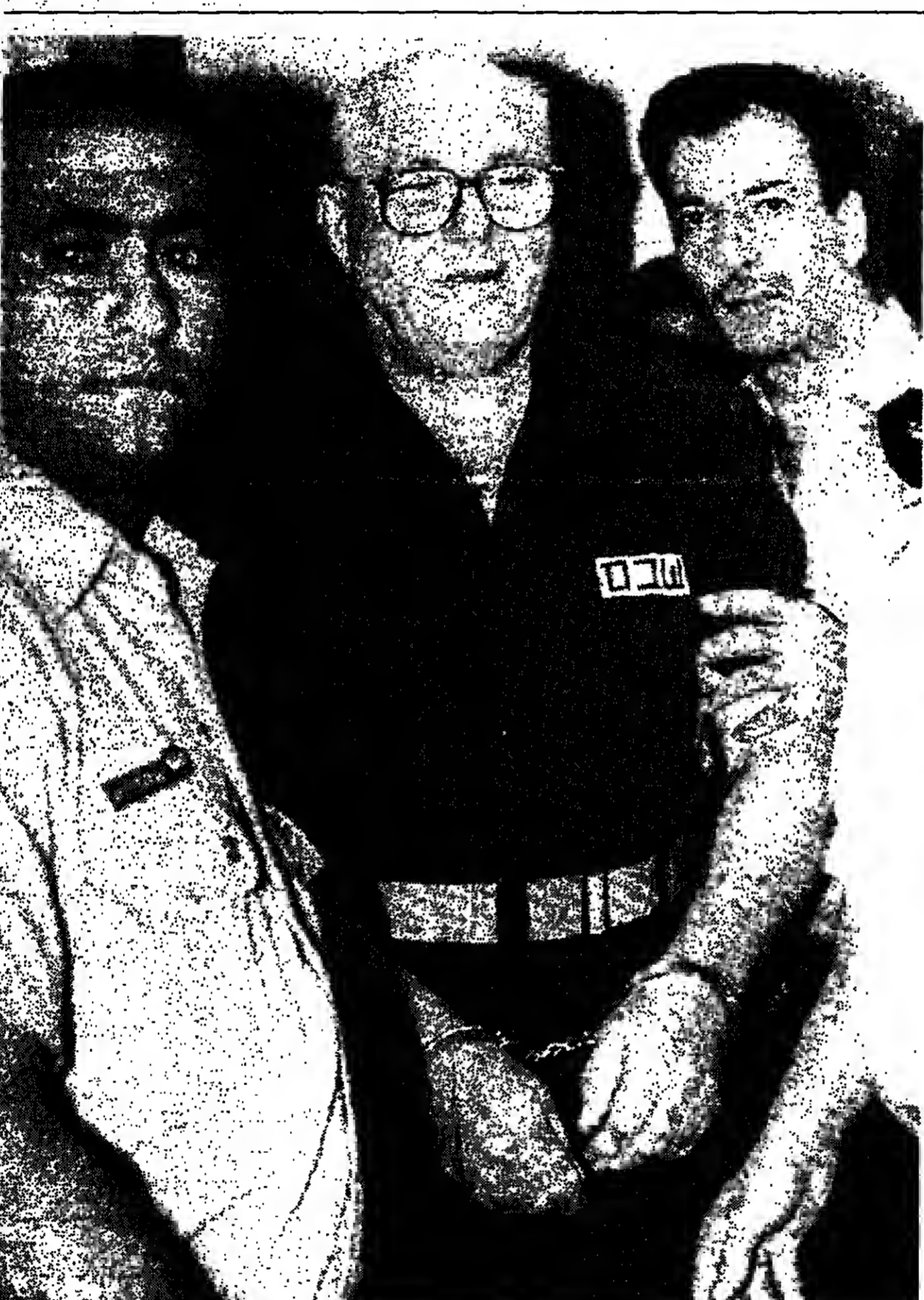
The new Owen-Stoltenberg plan was immediately condemned by sources close to the Muslim-led Bosnian government delegation as a thinly disguised version of the proposal of their Serbian and Croatian enemies for a loose confederation of three ethnic states.

"This is a confederation," said one source. He said the Muslim-led government delegation was shocked and angered that Lord Owen and Mr. Stoltenberg had abandoned their position as neutral mediators to put forward a plan for the ethnic partition of Bosnia already supported by the Bosnian Serbs and Croats.

However, the Owen-Stoltenberg plan reportedly also includes a clause that would bar any of the three republics from seceding from the union. This is apparently an attempt to reassure the Muslims that the proposed Serbian and Croatian republics would not break away to join neighboring Serbia and Croatia.

[Bosnian Serbs and Croats expressed support for the new plan, Reuters reported from Geneva.]

"This is pretty close to the Serbian-Croatian proposals," said the Bosnian Serb leader, Ra-
See BOSNIA, Page 2



John Demjanjuk, center, entering the Israel Supreme Court in Jerusalem on Thursday to hear that he would be freed and his death sentence overturned. Officials said he would leave Israel as soon as another country agreed to accept him, possibly his native Ukraine.

Demjanjuk Is Set Free On New Soviet Evidence

By David Hoffman
Washington Post Service

JERUSALEM — The Israel Supreme Court on Thursday overturned the conviction and death sentence of John Demjanjuk, 73, saying that new evidence from former Soviet archives showed there was reasonable doubt that he was a gas-chamber operator at a Nazi death camp during World War II.

A five-judge panel said long-hidden interrogations of Soviet prisoners of war who served as guards in the Nazi death camps raised the possibility that the Treblinka camp guard known as "Ivan the Terrible" was not Mr. Demjanjuk but another person, Ivan Marchenko, who has never been found.

The court found what it called compelling evidence that Mr. Demjanjuk had served as a prison guard in at least two other Nazi camps where Jews were exterminated. The justices decided, however, not to order another trial.

Israel issued a legal order for Mr. Demjanjuk's expulsion before he had left the courtroom. He is to leave Israel as soon as another country agrees to accept him, officials said. He may fly to his native Ukraine.

Mr. Demjanjuk cannot immediately return to the United States, which revoked his citizenship. Several groups, including the Simon Wiesenthal Center and the Anti-Defamation League of B'nai B'rith, urged the Clinton administration not to readmit him.

[The United States will not allow Mr. Demjanjuk to return, Reuters reported from Washington, quoting Justice Department officials. Neal Sher, head of the Justice Department's Nazi-hunting Office of Special Investigations, said the United States had found Mr. Demjan-

juk ineligible on grounds that he served as a guard at Nazi death camps.]

[There would have to be an executive order by President Bill Clinton to get him back in, Mr. Sher said. "Demjanjuk got off on a technicality," he said.]

"The matter is closed, but not complete," declared Chief Judge Meir Shamgar at the end of a 16-year legal battle. When the former Cleveland automobile worker was put on trial and convicted here in 1988, the case was turned into a national lesson for Israel about the extermination of 6 million Jews.

In the verdict's aftermath, Israel not only had to confront the errors of the prosecution but also sought to reaffirm the place of the Holocaust in national consciousness.

"We don't make a decision about the historic truth," said Mordechai Kramnitzer, head of the Hebrew University Law School. "All we do is make a decision about the legal truth. This is a legal trial and not more." While many survivors were pained and angry at the verdict, others hailed the admission of error as a sign of maturity.

Just as the conviction and execution of Adolf Eichmann in 1961 was a seminal moment in Israeli history, so too is the Demjanjuk verdict being seen as a turning point. Some prominent lawyers and scholars have recently questioned whether Israel will ever again bold a Nazi war crimes trial.

Even as Judge Shamgar read the unanimous verdict in court, he expressed a large measure of doubt about Mr. Demjanjuk's wartime deeds.

"The complete truth is not the prerogative of
See IVAN, Page 5

Israeli Tanks Move North As Rocket Attacks Persist

Washington Post Service

JERUSALEM — Israel began moving tanks, armor and infantry toward Lebanon on Thursday and continued firing heavy artillery into southern Lebanon as Prime Minister Yitzhak Rabin vowed that "we will not stop this action" as long as Hezbollah guerrillas were launching rockets at Israel.

[A senior aide to Mr. Rabin said Thursday that Israel was ready to halt its attacks in Lebanon if the United States guaranteed that the pro-Iranian Hezbollah guerrillas would stop firing rockets at northern Israel, Reuters reported.]

[The aide, Oded Ben-Ami, said that the U.S. government was trying to arrange a cease-fire. "If the Americans, or others, can guarantee that there will be no Katyusha attacks on our northern towns and settlements, then we will immediately cease our shelling," Mr. Ben-Ami said.]

On the fifth day since Israel began a major offensive against the Hezbollah fighters, more volleys of Katyusha rockets landed in the Gal-

ilee, and Israeli officials said they had now fired more than 25,000 shells into southern Lebanon in an effort to drive the population out and disable the Hezbollah fighters.

More than 90 people have been killed and 440 wounded, mostly Lebanese, since the Israeli offensive began.

As thousands of Lebanese continued to flee the heavy shelling, Israeli officials acknowl-

ed that the civilian exodus had fueled so far to provoke action by Lebanon to curtail Hezbollah operations in the south. In fact, they said, Hezbollah has been reinforcing its fighters.

"The whole philosophy of pressuring Lebanon is not working," said a senior Israeli government source. "The government is 'incapable' of stopping the rockets."
See RAIDS, Page 4

Kiosk

2 U.S. Jets Fire on South Iraq Sites

WASHINGTON (AP) — Two U.S. Navy jets patrolling the southern flight-ban zone over Iraq on Thursday fired at suspected surface-to-air missile sites after the aircraft were illuminated by radar, the Pentagon said.

The two aircraft were on patrol from the

General News

Prison inmates became heroes in a struggle against the Mississippi River. Page 3.

A former prime minister was the latest target in Italy's Enimont scandal. Page 2.

Business/Finance

The U.S. economy grew sluggishly in the second quarter. Page 11.

Book Review

Bridge. Page 7.

Dow Jones	Trib Index
Up 13.97	Up 0.41%
3,567.42	103.97

The Dollar	Thurs. close	previous close
New York	1.7395	1.7192
Doll	1.482	1.482
Pound	1.482	1.482
Yen	108.505	108.95
FF	5.938	5.841

Distress Signals of a White House Aide

By Douglas Jehl
New York Times Service

WASHINGTON — In contrast to White House assertions that there had been no signs of trouble, Vincent W. Foster Jr., the longtime friend of President Bill Clinton who apparently committed suicide last week, had displayed signs of depression in the final month of his life, according to federal officials and people close to Mr. Foster.

Mr. Foster, the deputy White House counsel, had been so depressed about his job that before his death he had spent several reclusive weekends working at home in bed with the shades drawn, a close associate said Wednesday.

The 48-year-old lawyer had also told at least one doctor that he was depressed. He had obtained the names of at least two Washington psychiatrists, associates and officials said.

A family doctor in Little Rock, Arkansas, sent anti-depressant medication to Mr. Foster.

The medication arrived in the final days of his life, but he apparently had only just begun to take it, said a person close to the family. This person said that Mr. Foster's wife, Lisa, recalled after her husband's death that when he tried to smile it was a "forced, hollowed-out kind of expression."

In addition, the White House said that torn pieces of paper found Monday in the bottom of Mr. Foster's briefcase in the White House contained what appeared to be a note to himself that indicated a troubled state of mind.

The White House spokeswoman, Dee Myers, said Thursday that the note was not turned over to investigators for more than 24 hours because White House officials wanted to make sure that Mrs. Foster was made aware of the contents first.

"It was our judgment that the best thing to do was to make sure that the family had a chance to see it," she said.

Ms. Myers said the notes showed that Mr. Foster's "distressed state of mind was really work-related."

The new information about Mr. Foster's mental state shows that at least some of those closest to him had been concerned about his psychological health.

Associate Attorney General Webster L. Hubbell and his wife, Suzanne, traveled with the Fosters to a Maryland resort on the final weekend of Mr. Foster's life on a trip specifically intended to cheer him up, the associate said.

The picture of Mr. Foster in distress is different from the one presented immediately after his death and in the days that followed. White House officials had said then that there was no indication he

See SUICIDE, Page 3

Bosnia Air Strikes: U.S. Sees Wider Use

By Joseph Fitchett
International Herald Tribune
PARIS — Hoping to see Western military power used to bring about peace in Bosnia, the Clinton administration is considering wider options for air strikes to include protection of United Nations relief convoys.
The White House was deliberating as voices were raised in Congress calling for military action to lift the siege of Sarajevo. France, which is pushing for the use of NATO air power to protect French and other troops in the UN peacekeeping forces in Bosnia, has urged Washington to back the wider option, a Foreign Ministry spokesman said in Paris.
This tougher talk, according to officials in both capitals, is aimed at influencing the Serbian and Muslim factions negotiating in Geneva into an overall partition deal, which the North Atlantic Treaty Organization would then protect against local violations.
Defining the U.S. position, a White House official was quoted as having said that President Bill Clinton "really has made two decisions — to go forward with protecting UN troops, and to consider going beyond that."
France's defense minister, Francois Léotard, said after talks in Washington on Thursday that no more attacks on UN forces would be tolerated and that the West was ready to retaliate with air power if necessary.
UN commanders have said that, besides NATO planes ready to start flying ground support missions, the French and other Western ground forces serving under the UN flag in Bosnia could act on their own to attack positions that had opened fire on them.
All Western governments are anxious to see the UN role in Bosnia backed with stronger military action, partly to offset the precedent in Somalia of heavy casualties being inflicted on UN forces.
But a larger Western concern in Bosnia was expressed in a speech Thursday by Senator Joseph R. Biden Jr., Democrat of Delaware, who called on the Clinton administration to use air power to lift the Serbian blockade of food and other supplies to Sarajevo. He said that step would save a remnant of Western dignity, warn the Serbs to stop now and enable the Muslim-led government to sign a peace without being overthrown by its own armed forces.
Mr. Biden, an outspoken critic of the Clinton administration's policy in the Bosnian crisis, was articulating a concern raised in recent days by other members of Congress.

He said in the Senate that a U.S. ultimatum to the Serbs to pull back from Sarajevo was the last chance to redeem a dire record of Western failure in the former Yugoslavia.
Condemning the United States and its allies, Mr. Biden said that Western leaders "have redefined collective security to mean arranging to blame one another for inaction, so that everyone has an excuse."
"It does not mean acting together," he added, "it means hiding together."
With Sarajevo dependent on airlifts for survival, Serbian forces surrounding the airport permit only one plane on the ground at a time and no more than one every 20 minutes — in practice, a maximum of 24 a day. At this rate, only 20 percent of Sarajevo's needs can be met, according to UN officials.
An order to Serbian forces to withdraw five kilometers (three miles) from the airport, Mr. Biden said, would open the bottleneck on food and fuel, restrict the actions of local Serbian commanders and provide enough security to enable the Bosnian leadership to accept a settlement in Geneva.
Bosnia's armed forces will revolt against a peace deal unless they are reassured about the prospects for UN defense of their rump state, Mr. Biden said.

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Muslims praying Thursday in Sarajevo at a funeral for three Bosnian soldiers. Because of shelling, funerals are held in the streets.

Sarajevo's Serbs: That Locked-In Feeling

By John F. Burns
New York Times Service
SARAJEVO, Bosnia-Herzegovina — After several knocks, the door opened a crack. The face peering anxiously into the darkened corridor was that of a 40-year-old Serbian teacher, one of about 55,000 Serbs still living in Sarajevo after 16 months under Serbian nationalist siege. The man was ashen-faced, so fearful that his hands trembled.
"Forgive me, I am not myself," he said, after ushering his guest in. "We feel incarcerated here. We sit here languishing, afraid to go out, terrified that there will be a knock on the door from armed men who will drag me out, take me to the mountains and make me dig trenches or fight against my own people."
Life in the Bosnian capital is full of hunger and misery these days, as a second summer passes with little food, and with Serbian shells and sniper bullets bringing death and disfigurement to hundreds of new victims each week. On the hills, men 18 to 60 toil in press-ganged groups digging trenches for the Muslim-led soldiers defending the city.
But for the Serbs of Sarajevo, the hardships are compounded. For many, the calculations that kept them in the city at the outset of the war have changed, to the point that most now say that they would flee if they could.
Among the more militant of the Muslims who predominate in Sarajevo, resentment toward the Serbs grows with each row of graves, making it less likely, in the view of many Serbs, that the city can survive the siege as the capital of a secular, multinational state as proclaimed by the Muslim leadership.

In the nearer term, Serbs here have more personal worries. Although the Bosnian Army has reined in the worst of the Muslim gangs that raged through the city last summer, bursting into Serbs' homes, attacking, robbing and sometimes killing the occupants, Serbs remain at risk from both the Serbian gangs on the hills that surround the city and from vengeful gangs of Muslims within.
Nobody knows how many Serbs were killed, or how many others were beaten and robbed by armed thugs who attacked them on the street or burst into their homes.
So far, only a handful of murder cases involving Serbian victims have come to trial, and many appear to have been permanently sidetracked.
This year, there have been few reports of Serbs being killed, but many of Serbs being harassed, particularly of Serbian men being singled out for roving bands of paramilitary fighters for labor service at the front.
For most Serbs, the threat of victimization is a less important factor than Muslims' everyday kindnesses. But concerned government officials, caring neighbors and supportive fellow workers have been unable to stop powerful Muslim paramilitary groups that press-gang men on the street.
The Muslim-led government here condemns the animosity toward Serbs as antithetical to what it stands for, but acknowledges that such feelings exist.
"There are animosities against Serbs here that you would not have found before the war," said Zdravko Knezevic, chief prosecutor of the Bosnian government.

Still, Serbs here have been on guard since the outset of the war. In April last year, there were nearly 160,000 Serbs in Sarajevo, the largest group after the Muslims. When leaving the city was easier, many Serbs chose not to heed Serbian nationalist leaders who urged them to flee into the "liberated territory" that Serbian forces had seized.
Many Serbs who stayed were bound to homes and jobs. Many, too, as residents of a city that was one of the most cosmopolitan in the Balkans, rejected the doctrines of the Serbian nationalists.
In almost every sphere of life, Serbs play key roles — as ministers and officials in the Bosnian government, as commanders and front-line soldiers in the Bosnian armed forces, and as surgeons, journalists, judges, prosecutors, engineers and in other jobs where they are working to keep the city alive.
The Serbs have shared, too, in the dying, the maiming and the mourning, there is the black-robed figure of a Serbian Orthodox priest. At least 2,500 of the dead are believed to be Serbs, killed by Serbian soldiers in the name of creating territory for Serbs.
But Serbs have also died at the hands of vengeful Muslims. At the outset of the siege, Muslims banded together in paramilitary formations, some headed by men with criminal records.
Beginning last autumn, the Bosnian Army began cracking down on the Muslim paramilitary groups, drafting them into the Bosnian forces. Attacks on Serbs diminished, but were not eliminated.

Ex-Prime Minister Latest Suspect in Enimont Scandal

Compiled by Our Staff From Dispatches
ROME — The Enimont chemical company scandal, over which two business executives killed themselves earlier this month, broadened Thursday with the disclosure that former Prime Minister Arnaldo Forlani was under investigation for seven months in 1980 and '81, was said to have received the money while he was the Christian Democratic Party secretary, a post he gave up last year.
The former prime minister, who has already been warned that he is under investigation on allegations of having accepted bribes from the state road-building authority, is one of five former heads of government caught up in the wider scandal.
Mr. Forlani said he had been officially warned he was suspected of having received around \$27 million in bribes for his Christian Democratic Party in connection with the chemical company. He denied any wrongdoing and said the huge sum involved was "clearly unbelievable."
His Christian Democratic colleague, former Budget Minister Paolo Cirino Pomicino, said he also had been warned that magistrates suspected him of having received bribes from the company.
Mr. Cirino Pomicino, who is under separate investigation for alleged Mafia links, called the accusation "an intolerable lie."
Vitozzo Falladino, vice chairman of Banca Commerciale Italiana SpA, one of Italy's biggest state banks, also was being actively sought by investigators, judicial sources said.
Enimont has been the most serious strand of the corruption scandal that has rocked Italian political and business life over the last 18 months. The sums allegedly paid to political parties before, during and after the trial, Enimont in 1990 dwarfed those reported in other scandals.
L'Espresso magazine asserted Thursday the total amount shared out between the parties from Enimont was between \$85 million and \$88 million.
Mr. Forlani, who was prime minister of trying to ramrod their views through the forum. The talks resumed on Wednesday without the three boycotting groups.
The political situation was further thrown into disarray Thursday when KwaZulu, of which Chief Buthelezi is the chief minister, filed a court action in an attempt to force the cancellation of South Africa's first all-race election scheduled on April 27, 1994.
A meeting between Mr. de Klerk and the Inkatha leader, Chief Mangosuthu Buthelezi, apparently did little to persuade the Zulu chief to lift his boycott of the multiparty negotiations.
Chief Buthelezi said, however, that the boycott was not necessarily permanent. "The fact that I'm not there now does not mean I will destroy negotiations in the country," he said after the meeting, without elaborating.
Mr. de Klerk said he hoped the problems keeping the conservatives out of the talks were "bridgeable."
But he also said: "I believe we should not even contemplate going ahead without the IFP. We cannot afford to go it alone while some role players stay out."
An ANC spokesman, Carl Nicholas, commented, "We would also like to do everything possible to keep the IFP in the process, but extending veto rights to them is unacceptable."
Inkatha, the black homeland of KwaZulu and the secessionist white Conservative Party walked out of the constitutional talks three weeks ago, accusing the African National Congress and the govern-

WORLD BRIEFS

On By-Election Day, a Low Tory Poll

CHRISTCHURCH, England (Reuters) — As balloting took place here Thursday in a parliamentary by-election, a newspaper poll showed that the popularity of Prime Minister John Major's Conservative Party had slumped to a 12-year low. The poll, in The Times, reported that Tory support nationally had slipped back to 47 percent, against 44 for the Labor Party and 25 for the Liberal Democrats.
The Conservatives also appeared to be heading for a convincing defeat in the by-election, in what has been one of their safest seats in Parliament. Local polls suggested that the people of Christchurch would follow the national trend and enable the centrist Liberal Democrats to trounce the Tory candidate.

Nagorno-Karabakh Truce Extended

YEREVAN, Armenia (AP) — A cease-fire between Azerbaijan and its disputed enclave of Nagorno-Karabakh has been extended five days in hopes of arranging peace talks at a high level, officials said Thursday.
Negotiators hope to arrange a meeting between the leaders of Azerbaijan and Nagorno-Karabakh.
The five-year war over the enclave — inside Azerbaijan but populated by Armenians — has claimed about 15,000 lives and made refugees out of a million people. Azerbaijan previously has refused to negotiate directly with Nagorno-Karabakh, insisting that Armenia was a primary party to the conflict.

UN Aide Faults Japan and Germany

TOKYO (AP) — The chief of the United Nations mission in Cambodia urged Japan and Germany on Thursday to overcome guilt feelings from World War II and contribute more to the cause of international peace.
Both nations recently eased their own postwar restrictions to contribute troops to UN peacekeeping missions for the first time — Japan in Cambodia, and Germany in Somalia.
Yasushi Akashi, head of the UN Transitional Authority in Cambodia, said he understood that countries like Japan and Germany had special burdens arising from the war, in which both overtook their neighbors. But he said that "their wartime experience should be not used as an alibi for standing aside from a full-scale contribution to the cause of the peace through the United Nations."

Cuba on Its Last Legs, CIA Reports

WASHINGTON (NYT) — Riven by food shortages and economic hardship, Cuba under President Fidel Castro is enacting its worst political crisis in 30 years, a senior CIA official said Thursday.
"Castro's government is in acute distress," Brian Latell, the agency's top analyst of Latin American affairs, said at a rare open meeting of the Senate Select Committee on Intelligence.
The combination of the U.S. economic embargo and Moscow's withdrawal of aid have brought the Marxist government to its knees, the CIA analyst and other witnesses said. But a central question for the U.S. government, which spent considerable energy in the 1960s trying to overthrow the Cuban government and assassinate Mr. Castro, remained unsettled after the hearing: Should Washington try to help Cuba, or hasten its collapse?

China Seeks to Renew Military Links

BEIJING (AP) — China wants to see positive steps from the West to restore military ties that were disrupted after the 1989 Tiananmen Square crackdown, a Defense Ministry official was quoted Thursday as saying.
"There are no obstacles from our side now," the official told the Xinhua news agency. Ties between the Chinese Army and counterparts in some Western countries would "gradually be restored with the development of state-to-state relations," the official said, but only after the West took "positive steps."
The People's Liberation Army has already ended the isolation that followed its crackdown on the pro-democracy movement four years ago. Last year, the army received a record 110 military delegations from more than 40 countries, including 11 defense ministers, and sent more than 70 delegations to 20 countries.

De Klerk Calls Inkatha Vital, ANC Disagrees

Compiled by Our Staff From Dispatches
DURBAN, South Africa — President Frederik W. de Klerk said Thursday that South African constitutional talks should not go ahead without the Zulu-based Inkatha Freedom Party.
The African National Congress called Mr. de Klerk's statement dangerous, saying it appeared to be a court action in an attempt to force the cancellation of South Africa's first all-race election scheduled on April 27, 1994.
A meeting between Mr. de Klerk and the Inkatha leader, Chief Mangosuthu Buthelezi, apparently did little to persuade the Zulu chief to lift his boycott of the multiparty negotiations.
Chief Buthelezi said, however, that the boycott was not necessarily permanent. "The fact that I'm not there now does not mean I will destroy negotiations in the country," he said after the meeting, without elaborating.
Mr. de Klerk said he hoped the problems keeping the conservatives out of the talks were "bridgeable."
But he also said: "I believe we should not even contemplate going ahead without the IFP. We cannot afford to go it alone while some role players stay out."
An ANC spokesman, Carl Nicholas, commented, "We would also like to do everything possible to keep the IFP in the process, but extending veto rights to them is unacceptable."
Inkatha, the black homeland of KwaZulu and the secessionist white Conservative Party walked out of the constitutional talks three weeks ago, accusing the African National Congress and the govern-



A Moscowite at a city bank on Thursday counting his ruble notes before exchanging them for newly issued 1993 currency.

A Moscow Session on Ruble Crisis?

MOSCOW (Reuters) — Russia's parliament will hold a one-day session Saturday that could discuss the Central Bank decision to withdraw all pre-1993 ruble banknotes, Interfax news agency said Thursday.
A parliamentary press spokesman said deputies would meet to discuss a decree President Boris N. Yeltsin issued on restoring order in the autonomous region of South Ossetia. But Vitaliy Syrovatko, secretary to the parliamentary leadership, said he could not rule out the possibility that deputies would raise the ruble question, which has drawn strong protests across the country.
Leaders of the conservative legislature, chaired by Mr. Yeltsin's rival, Russian I. Khasbulatov, have criticized the Russian leader for the bank decision that initially allowed people just two weeks to swap 35,000 in old rubles (about \$35) for new. Mr. Khasbulatov has also condemned Mr. Yeltsin's decision to dismiss the security minister, Colonel General Viktor P. Baranikov.

TRAVEL UPDATE

Germans Show Fast Train in U.S.

Germany's InterCity Express train joined the competition for a high-speed rail contract Thursday in a public demonstration run between Washington and Baltimore. A two-month test in a daily Washington-New York round trip is due to start Oct. 4.
Sweden's X2000 high-speed train completed a similar test earlier this year, and six other groups have already expressed interest in bidding for a \$400 million contract to be let by Amtrak, the U.S. publicly owned passenger locomotive for nonconductor lines.
Germany's ICE, which has been dubbed "the Ice Train" in the United States, is a product of Siemens and AEG and would if successful be manufactured here with a U.S. partner. Amtrak safety rules limit its speed to 125 miles an hour, 50 miles an hour slower than its normal operating speed in Europe.
A Swedish separatist group has threatened to attack Turkish tourists facilities in a statement sent to embassies and travel agents around the world in the past week.
The opening of Tokyo's new international airport, much-delayed and much-swatted by air travelers, may be put off again, until September next year. Kyoto news services said Kansai International Airport would start operating in September, 1994, after promises that it would open next summer. A Transport Ministry official did not deny the report. (AFP)
Tadpoles caught in New York traffic can now call ahead to say they'll be late — at \$1.75 a minute (or local calls) — if their cabs are among the 200 soon to be equipped with cellular phones. The first three phone-equipped cabs hit the road Wednesday. The rest are scheduled to be added over the next two weeks.
The opening of an underground parking garage in Paris under the Avenue des Champs-Élysées has been delayed until Monday because it is not finished. (AFP)

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BOSNIA: Geneva Mediators Recommend 'Union'

Continued from Page 1
dovan Karadzic. Asked if the Serbs could accept it, Mr. Karadzic replied, "Basically, yes," although he added that minor changes would be needed.
[An indication that the Croats would also accept the plan came from Prime Minister Mile Akmadzic of Bosnia, a Croatian member of the country's collective presidency who is also close to the Bosnian Croats' political leader, Mate Boban. "The Croats in the presidency will accept the plan," he said.]
Meanwhile, Mr. Karadzic, Mr. Boban and President Ilija Izetbegovic, the Muslim leader, interrupted the third day of their negotiations to order their respective military commanders to implement "in full" a badly frayed 5-day-old cease-fire.
The decision to try to halt the fighting came after the negotiations for a peaceful settlement to the 15-month-old conflict began taking on an air of growing urgency as both Serbian and Muslim forces continued to pursue their military objectives.
John Mills, the spokesman for the two international mediators, said that in order to reinforce their common decision, they had decided their commanders should meet every day, starting Thursday, as long as their meeting in Geneva lasts, to discuss violations of the cease-fire.
Commander Barry Frewer, chief spokesman for the UN forces in Bosnia, said the United Nations was organizing a meeting Friday among the military leaders of the three sides to work out the deal.
Many such meetings have been planned, but few have occurred in recent months as the situation around the capital and throughout the country has deteriorated.
Commander Frewer said it was unclear whether the cease-fire would hold, especially around Zuc, an important hill north of the city currently held by Muslim forces. Over the past few days, he said, Serbian forces have bombarded the area and sent a column of infantry up a valley that leads to the hilltop.
If the Serbs can control Zuc, every part of Sarajevo will be within range of their artillery.
The impact of the military situation in Bosnia on the negotiations appeared to be of growing concern to the two Geneva mediators.
Last Saturday, the Serbs and Muslims agreed to what they called a "cessation of hostilities" starting at 10 A.M. Sunday. But the level of hostilities around Sarajevo and in central and northern Bosnia has subsided only slightly since then.
In fact, Serbian forces have continued their offensive against Muslim forces in northern Bosnia around Brezovo in an effort to widen their narrow east-west corridor connecting Serbian-held areas there.
The continuing Serbian drive to widen the size of the east-west corridor has come as Mr. Karadzic has offered in Geneva to provide the Muslims with some kind of corridor, or at least assured access, to the Sava River, which marks the border between Bosnia and Croatia.
That offer would seem to be entirely a political maneuver for bargaining purposes in light of the Serbs' offensive to consolidate their control all across northern Bosnia.
Meanwhile, since the cease-fire declaration, Muslim forces have completed their capture from the Croats of Bugojno, 80 kilometers (50 miles) northeast of Sarajevo.
The Muslims seem to be acting to consolidate and expand their area of control in central Bosnia in the eventuality that they are obliged to accept a small Muslim state as part of a settlement.
Andorra Gains Seat in UN
Reuters
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STATESIDE / COUNTING VOTES

Can a Fractured Capitol Pass a Budget? Yes, No, Maybe

By Michael Wines

WASHINGTON — As anxiety rises among Democratic leaders over the prospects for President Bill Clinton's economic package...

showing these last days of bargaining over Mr. Clinton's \$500 billion package of tax increases and spending cuts...

Still uncertain is whether any compromise can muster support in Congress. The House speaker, Thomas S. Foley...

Mr. Kohl said he had told Mr. Clinton at a White House meeting that he felt that the gasoline tax should be dropped to erase the last vestige of taxation on middle- and lower-class families...

Mr. Clinton's backers took some solace in the fact that both men, like Mr. Boren before them, pointedly refused to say that they were definitely opposed to the package.

POLITICAL NOTES

Ginsburg Wins Unanimous Confirmation

WASHINGTON — The Senate Judiciary Committee voted unanimously Thursday to confirm the appointment of Ruth Bader Ginsburg to the Supreme Court...

Senate Fails to Halt Filibuster

WASHINGTON — The Senate fell one vote short Thursday of breaking a Republican filibuster blocking action on President Bill Clinton's plan for a national service program...

Perot to Campaign Against Clinton Package

WASHINGTON — Ross Perot says President Clinton's \$500 billion deficit-reduction package would "damage the country" and he promised to wage an aggressive campaign to defeat it.

Quote/Unquote

Senator John B. Breaux, Democrat of Louisiana, about the handful of senators who have yet to commit their perhaps decisive votes on President Clinton's budget plan: "Shakies rule the day."

Young Women Now At High AIDS Risk, A UN Report Says

WASHINGTON — Among sexually active people, those being infected with the AIDS virus at the fastest rate are women in their late 20s and early 30s...

At Last, Dry Forecast

The weather pattern that has been locked in place over North America for at least six weeks, causing the flooding in the Midwest and parched conditions along the East Coast...

Away From Politics

Asian-Americans around the United States are organizing demonstrations linked to the opening Friday of "Rising Sun," complaining that the movie reinforces stereotypes of the Japanese as sinister businessmen...

Brazil Massacre Claims An 8th Young Victim

RIO DE JANEIRO — The eighth victim of a massacre of young street people in downtown Rio de Janeiro has died of gunshot wounds...

SUICIDE: Evidence of Depression

Continued from Page 1. Foster to join him and other friends — including Mr. Hubbell — in watching a movie and that their conversation had focused mainly on work.

Quote/Unquote

Senator John B. Breaux, Democrat of Louisiana, about the handful of senators who have yet to commit their perhaps decisive votes on President Clinton's budget plan: "Shakies rule the day."



A couple outside their home in Missouri City, Missouri, where the Missouri River was at 20 feet over flood stage.

Sad Flood Story, With a Happy Ending

By Sara Rimer. HILLVIEW, Illinois — This is a story of black and Latino drug dealers from Chicago who tried to help 200 white farmers and factory workers save their town. They lost, but in the fight against the Mississippi River they found one another.

Brazil Massacre Claims An 8th Young Victim

RIO DE JANEIRO — The eighth victim of a massacre of young street people in downtown Rio de Janeiro has died of gunshot wounds...

SUICIDE: Evidence of Depression

Continued from Page 1. Foster to join him and other friends — including Mr. Hubbell — in watching a movie and that their conversation had focused mainly on work.

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Japan Rattles Nuclear Saber at North Korea

By Sam Jameson
Los Angeles Times Service
TOKYO — Foreign Minister Kabin Mito has said that Japan must have the will to build nuclear weapons if necessary in the event of a North Korean nuclear threat, according to the Nihon Keizai newspaper.

a news conference in Singapore after assuring the Association of South East Asian Nations that Japan would offer unconditional support for an indefinite extension of the Nuclear Nonproliferation Treaty. The outgoing foreign minister also told ASEAN foreign ministers that Japan had no intention of building a nuclear arsenal of its own.

"There is a clause in the NPT allowing withdrawal from the treaty," Mr. Mito said Wednesday, according to the Nihon Keizai report. "If North Korea develops nuclear weapons and that becomes a threat to Japan, first, there is the nuclear umbrella of the United States upon which we can rely. But if it comes down to a crunch, possessing the

will that 'we can do it' is important." Mr. Mito said he raised the issue because Japan's refusal at the Group of Seven economic summit meeting in Tokyo this month to support without qualification an indefinite extension of the nonproliferation treaty had aroused suspicions of Japan's intentions. A large shipment of plutonium to Japan

from France and fears of North Korean nuclear development led some outsiders to conclude that Japan wanted to keep a free hand to go nuclear.

In the meeting of ASEAN foreign ministers with their "dialogue partners," including the United States, Mr. Mito denied that such suspicions were justified.

Before Japan can give unconditional support to an indefinite extension, he told the ASEAN conference, "some procedural matters" remain to be handled, including the persuasion of a small number of Japanese foes of the treaty. Opposition to the treaty exists in Japan because of sentiment that the accord favors nuclear powers and discriminates against nonnuclear nations, such as Japan. Some Japanese also fear North Korea's development of nuclear strength, he said.

"But we will make efforts to move in the direction of an indefinite extension of the treaty," Mr. Mito said.

To the ASEAN ministers and officials of the "dialogue nations," he declared that Japan had no intention of going nuclear. Winston Lord, assistant secretary of state for East Asian and Pacific affairs, called Mr. Mito's statement "a very positive step forward in terms of extension of the treaty."

But his statement to the Japanese reporters implied that Japan need not oppose indefinite extension of the treaty because of a clause that allows any nation to withdraw on three months' notice.

A Son of Shoguns to Take Over Japan

By David E. Sanger
New York Times Service
TOKYO — When he was still governor of Kumamoto, a prosperous prefecture in the southern island of Kyushu, Morihiro Hosokawa liked to tell the story about the time he tried to move a downtown bus stop.

"For an advanced country, this is embarrassing," he told two Americans lingering over coffee in his sunny office one afternoon. "To move the stop a few hundred meters, I had to send a delegation to Tokyo. In Japan, you can't tie your own shoes without official permission."

Over the years Mr. Hosokawa's bus stop story, told and retold, has become a metaphor for his unceremonious harsh critique of his own country. Fattened by wealth and complacency, he argued that afternoon, Japanese had surrendered their country to turn-of-mind bureaucrats and "politicians who bow at every phone pole rather than think about the broad problems of Japan." What Japan needed, he volunteered, was a version of Mikhail S. Gorbachev, a veteran of the system who was willing to shatter it.

In perhaps the oddest twist yet in recent weeks, Mr. Hosokawa has been handed that chance. Only 14 months after he started the Japan New Party, an effort that the nation's smug political leaders once dismissed with a wave of the hand, he was tapped to become the head of a coalition government that seems destined to take power from the ruling Liberal Democratic Party for the first time since its creation in 1955.

By early next month when parliament votes, the tall 55-year-old firebrand will be master of every bus stop and telephone pole in the world's second largest economy — and inheritor of a political system that by his own description has "grown moribund, and out of

touch with the realities of the rest of the world."

But now that he appears on the verge of coming to power far more quickly than anyone expected, there are already doubts about whether a man who revels in playing the outsider can achieve what he calls the "third opening of Japan." The first was sparked by the arrival of the American fleet in the 1850s, the second by the occupation forces that ran Japan when Mr. Hosokawa was a teenager. This one, Mr. Hosokawa says, Japan will have to do on its own.

It will not be easy. Even before Mr. Hosokawa steps into the prime minister's residence, many in Tokyo suspect he is being set up to fail. Inexperienced in the ways of the capital, he may prove an easy target for the powerful bureaucrats he has lambasted. And the party he once belonged to, the Liberal Democrats, will be waiting for his fragile coalition of socialists and conservatives to splinter apart, looking for their chance to regain a grip on the nation few thought they would ever lose.

In a country that warns to predictability, Mr. Hosokawa is an unknown quantity, chosen by the coalition precisely because he appears untainted by endless stream of corruption and influence-peddling that has tarred most of the other leaders.

The direct descendant of one of the country's most prominent families of warlords and shoguns, Morihiro Hosokawa was born on Jan. 14, 1938, in the midst of another era of political chaos. At the time his maternal grandfather, Fumimaro Kono, was prime minister, advocating a reduction in the West's influence in Asia and the rise of the Greater East Asia Co-Prosperty Sphere. Historians still argue over whether Mr. Kono was a moving force behind the invasion of China and the militarist policies that led to Pearl

Harbor, or whether he was manipulated by military forces. But his name was high on the list of war criminals the United States sought to put on trial. He killed himself just before he was supposed to enter custody in late 1945, when his grandson Morihiro was seven years old.

In a journalistic and political career that spans 30 years, Mr. Hosokawa has usually followed his own advice — until recent weeks, when he has said surprisingly little about the political upheaval happening beneath his feet.

A graduate of Sophia University, he went to work in 1963 for Japan's most liberal newspaper, the Asahi Shimshun. As a reporter there, he covered the tumultuous demonstrations on college campuses. He wrote about social change in a time when Japan's economic growth seemed boundless, and about the end of an epoch, he said later, when "catching up with the West was the all-absorbing and overriding goal."

But he soon quit the job for politics, running under the Liberal Democratic flag for the less-powerful upper house of parliament. He won at age 33 and spent the next 12 years in the parliament, serving in a range of second-tier posts. He later recalled watching the Japanese system at work, in which the members of parliament become "mere tools of government agencies, constantly trying to reflect the ideas of bureaucrats in party decisions."

"I was appalled," he concluded. He returned to Kumamoto, where the Hosokawa *daimyo* (feudal) had lasted from 1632 to 1868. Elected governor in 1983, he quickly gained a reputation for energy and in economic development. The area's rice fields are now dotted with technology parks and semiconductor plants, and has become Japan's equivalent of Silicon Valley.



VIETNAM MEMORIAL — Military personnel at the groundbreaking of the Vietnam Women's Memorial in Washington on Thursday. The statue depicts nurses tending a wounded soldier.

RAIDS: Israel Sends Tanks Into Southern Lebanon

Continued from Page 1

ble" of controlling the Hezbollah, he said. Officials said Mr. Rabin was quickly approaching a difficult choice. Given his statements in recent days, he cannot simply halt the fighting as long as the rockets are being fired into Israel. But at the same time Israel seems to be getting nowhere with the massive bombardment, which has failed to stop the Katyusha attacks, and is drawing international criticism, officials said. Thus, Mr. Rabin would like a mutual cease-fire, but without one he will keep the Israeli guns firing, they said.

"I hope this will not turn into a war of attrition," Mr. Rabin said. "We have hurt the Hezbollah, but not enough."

"The Hezbollah shouldn't think that we stand with a stopwatch in our hands and that we have decided we will stop the attacks in two or three days," said the army chief of staff, Ehud Barak.

An army spokesman, Colonel Resnan Gissin, told reporters, "We hit them hard and at each point we stop and see whether they have gotten the message we have beaten into their heads."

Mr. Rabin suggested Thursday that Israel hoped to permanently disable Hezbollah's guerrilla forces in areas north of the "security

zone," which Israel occupies in southern Lebanon. In the past, Israel has tried to fight Hezbollah largely within the zone, which was established as a buffer after the 1982 Lebanon War. But in his remarks Thursday, Mr. Rabin said the Israeli offensive was aimed at keeping Hezbollah from firing rockets in the area north of the zone.

"We cannot tolerate a situation in which the settlements along the Israeli-Lebanese border will become hostages in the hands of Hezbollah," Mr. Rabin said. "We will continue operations until we achieve our goals," he added.

More than 30 Hezbollah rockets hit northern Israel or the border zone on Thursday. Northern residents contacted by telephone reported one minor injury and limited damage, including a gas station that erupted in flames.

— DAVID HOFFMAN

■ Christopher Trip Is Set
Secretary of State Warren M. Christopher plans to go ahead with a trip to the Middle East, with or without a cease-fire in Lebanon, but he is pushing hard for an end to the fighting, Reuters reported from Washington, quoting State Department officials. "There are no changes in the

secretary's plan to be in the region to work on the peace process next week, but I think he would certainly prefer to be focusing on the core substantive issues that are at the heart of the peace talks and not hostilities on the ground," a State Department spokesman said.

■ Syrian Role Is Disclosed
Syria helped to ship anti-tank rockets and other weapons sent by Iran to Hezbollah guerrillas days before the latest fighting, U.S. officials said Wednesday as reported by The New York Times in Washington.

Disclosure of the shipments came from Representative Tom Lantos, Democrat of California, in testimony before a House Foreign Affairs subcommittee by the director of central intelligence, R. James Woolsey.

Two weeks ago, on July 15, Syrian armed guards stood by at Damascus International Airport as an Iran Air 747 unloaded anti-tank rockets and a range of other weapons," Mr. Lantos said in a statement confirmed by other government officials.

The weapons "were promptly trucked off to Lebanon under military escort for use by Hezbollah to intensify its attacks on the settlements in the north of Israel," the congressman said.

JAPAN: Coalition Picks a Populist With a Mandate to Lead Country

Continued from Page 1

Mr. Hosokawa, a former governor of prosperous Kumamoto Prefecture in southwestern Japan and the grandson of a wartime prime minister, is a man of modest national political experience.

He will be leading a coalition of conservatives who have insisted they will abandon years of pro-big business policies, and of socialists who have promised to abandon decades of resistance to Japan's mili-

tary and to the country's nuclear power plants.

Many business leaders have supported the nascent two-party system taking shape, despite their massive financial support for the Liberal Democrats in the past, and have given tacit approval to the coalition. But they have already started to indicate that they want results rather than vague policy statements and too heavy a focus on reform of the electoral system as an end in itself.

"People are talking too much about political reform," said Minoru Murofushi, president of Itochu, one of Japan's largest trading companies. "It is important, but we need economic recovery more."

The coalition has laid out a series of policies that could, over time, have a major impact on the economy and on Japanese society.

In the economic sphere, it said it would introduce a package of government spending programs to stimulate the wobbly economy and

consider reducing individual taxes. It also promised to reform the tax system, which has placed a heavier burden in recent years on middle class wage earners. Both measures could reduce Japan's trade surplus by encouraging more imports.

It has promised a major campaign of easing the heavy regulations under which the economy labors and of decentralizing the government so that more decisions are made on a local level rather than by central government

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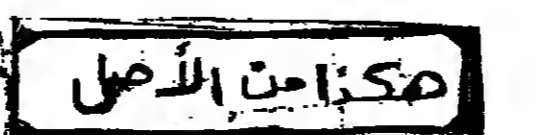
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Few Mideast Leaders Lament Raids on Hezbollah

By Youssef M. Ibrahim
New York Times Service
CAIRO — The Israeli military raids on the southern Lebanese Hezbollah fighters bring a long-simmering confrontation between Israel and Iran to a new threshold. But Iran and its allies in the region may find little sympathy, even within the ruling circles of Syria, Tehran's longtime strategic partner and only Arab friend.

Despite widespread condemnation of the attacks in Arab capitals, it is difficult to escape the impression that many decision makers in the region welcome any blow dealt to the radicals in their midst, most particularly Islamic fundamentalist allies of Iran and the most radical fringes of the Palestinian movement.

"Beyond the bases of the Hezbollah, there is a question over Iran's right to have any presence at all at the point where Arab-Israeli confrontation lines meet and over the future of Israeli-Syrian ties in Lebanon and in the region," Ghassan Stairbi, an analyst of Arab affairs, said in

Asbarg al-Awsat, a daily Saudi newspaper based in London, in a front-page editorial that captured the Arab mood.

It remains to be seen what Syria's reaction will be to the Israeli assault on Lebanon, a country under Damascus's tutelage, especially because at least two Syrian soldiers have died in the Israeli assault.

But there is little doubt that since the current series of Middle East peace talks

NEWS ANALYSIS

began in October 1991, the views of Syria and Iran about the future of the region have diverged significantly.

Among other things, the enmity toward Iraq that bonded Syria and Iran throughout the 1980s has become pointless as the enemy in Baghdad has become a shadow of its old fearsome self.

And Syria has repeatedly asserted that it is committed to continuing the Middle East peace effort, which Tehran has pledged to sabotage.

Israeli attacks on military bases of Ab-

med Jibril, the leader of the Popular Front for the Liberation of Palestine-General Command, can only please the Palestine Liberation Organization, which is deeply involved in the peace effort. The PLO is also fighting renegade organizations like Mr. Jibril's, which call for continued armed struggle until Israel has been eradicated.

Even Lebanon, which appears at times a helpless spectator of high-stakes confrontations between regional forces on its land, cannot escape the conclusion that the peace and security it badly needs for the reconstruction of a land devastated by 15 years of civil war cannot be secured as long as an armed militia in the south attacks with orders from Tehran to attack Israel's northern borders.

For Israel, the raids underline an end to a notion that lingered among parts of the military and intelligence establishment until the late 1980s. This notion was that there were mainstream elements in Iran with whom deals might be made to pacify southern Lebanon.

The Hezbollah, or Party of God, has emerged as the ideological Trojan horse of the Iranian Islamic revolution, with branches and tributaries in various Arab countries.

It came into existence as a result of a strategic accord signed between Syria and Iran in 1983, which permitted Iran to form a Shiite armed militia in the Bekaa region of eastern Lebanon, which is under Syrian Army control.

Until two years ago, Syria looked upon the connection between Iran and Hezbollah as an option it could play to press the Israelis into making more concessions in trading Arab land for peace.

But now, Syria's goal of securing the return of the Golan Heights, taken from it by Israel in the 1967 war, appears more attainable in peaceful negotiations.

And there is a great deal of doubt about Syria's willingness to fight Israel to preserve the Hezbollah's right to continue harassing Israel's northern borders, particularly after the demise of Syria's once mighty ally, the Soviet Union.

IVAN: Demjanjuk Is Set Free on New Soviet Evidence

Continued from Page 1

the human judge," he said. "Obscurity remains." The court was highly critical of Mr. Demjanjuk's statements, saying his alibi had been refuted by historical documents.

At the same time, the court was critical of the new evidence — the statements of the Soviet guards — all of whom are dead. Judge Shamgar said that the authenticity of the statements had never been established and that it was not known where the documents came from or how the interrogations were made.

These 61 written accounts, some dating to the 1940s but which became available only in the last two years, created enough doubt to overturn the conviction. In most of the statements, the guards referred to a Ukrainian at Treblinka named Ivan Marchenko.

Mr. Demjanjuk, who has been in solitary confinement for seven years, listened with headphones as the verdict was translated into his native Ukrainian. He showed little

emotion, periodically yawning and looking out at his son, John Jr., and daughter's husband, Edward Nishnic, in the courtroom.

"I miss my wife. I miss my family. I miss my grandchildren," he shouted to reporters. "I want to go home."

In 1989, one of Mr. Demjanjuk's lawyers committed suicide. At the funeral, a Treblinka survivor threw acid in the face of Yoram Shefiel, the other defense lawyer, whose left eye was injured. These incidents postponed the appeal just long enough for the Soviet Union to collapse and for critical files on the case to be dislodged, in some instances from the archives of the KGB.

"It is clear to me that without the material found in the former Soviet Union, Demjanjuk would have been executed," Mr. Shefiel said.

The high court said there was clear and unequivocal evidence that Mr. Demjanjuk trained and participated in the Treblinka unit, which was a camp in Poland set up for SS prison guards who were de-

tailed to the death camps. The court also found strong evidence that he was assigned to an extermination camp, Sobibor, based on the statement of a fellow worker.

Papandreou Accepts Libel Sum From Time

The Associated Press
LONDON — Former Prime Minister Andreas Papandreou accepted an undisclosed sum from the publishers of Time International Thursday to settle a libel suit.

Mr. Papandreou's lawyer, Karen Sang, told a judge at a March 13, 1993, article in Time International suggested that Mr. Papandreou accepted bribes from the owner of a bank and threatened to have him murdered. In January 1992, a special court of 13 judges voted, 7 to 6, to acquit Mr. Papandreou on charges of instigating the loss of state company funds.

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No to Beijing in 2000

In legitimate protest against China's inhuman record on human rights, the U.S. House of Representatives has registered its opposition to Beijing as host for the Summer Olympics in the year 2000. The Senate should do the same quickly — before its vacation. The site for the turn-of-the-century Games will be picked by the International Olympic Committee at a meeting in Monte Carlo in September. Sydney is rated most likely to get the nod, but there are still four other bidders besides Beijing — Berlin, Brasilia, Istanbul and Manchester. In fanciful theory, the Olympics are free of politics and the location is none of Congress's business. But politics intrudes all the time. Witness the American boycott — supported by China — of the Moscow Games in 1980 over the Soviet intervention in Afghanistan, and Moscow's retaliatory boycott of Los Angeles in 1984, as well as the 32-year suspension of South Africa because of apartheid. And while Washington has no official voice in IOC matters, it does not appoint IOC members. Congress is free to express its views on anything it wants — in this case, the rights of one-fifth of the human race. An IOC vice president, He Zhenfeng of China, has condemned Congress's interest as "an infringement of the Olympic principles" and "unacceptable." U.S. Olympic officials and Senator Ted Stevens of Alaska, among others, have made similar hollow arguments. But the House resolution takes the view that China's violations infringe on civilized society. The massacre near Tiananmen Square of demonstrating students in 1989 symbolizes the brutality of China's ways. It is Beijing's best known horror, but it was just a brief, awful moment compared with the ongoing jailing of dissidents, suppression in Tibet, the nationwide repression of religion and the national policy of forced abortions and sterilizations. The State Department's latest annual report on human rights practices around the world said that China's "have remained repressive, falling far short of internationally accepted norms," and that the government still had not accounted for "thousands of persons" detained at the time of the 1989 demonstrations. Incredibly, the man who was Beijing's mayor in 1989 and called for a crackdown on the demonstrators is now chairman of the city's Olympic Bid Committee. The House vote was 287 to 99, on a resolution introduced by Tom Lantos, Democrat of California, with an ideological rainbow of co-sponsors. The resolution "strongly opposes" staging the 2000 Summer Games in Beijing or anywhere else in China, and "urges" the American delegate to vote against it. Mr. Lantos and Senate sponsors of similar resolutions — Dennis DeConcini of Arizona and Bill Bradley of New Jersey — sensibly hold out the prospect of Games in Beijing four years later, in 2004, if China shows more respect for human liberties by the time of the selection in 1997. But for now, let the Senate stop bickering long enough to cast this important symbolic "no" vote for the year 2000 — a "yes" vote for humanity. —THE NEW YORK TIMES.

Doing America's Part

Bill Clinton has promised to protect besieged United Nations peacekeepers in Bosnia, if asked, and so he could not possibly say "no" when the request came. French ground troops have been under hostile Serbian fire at Sarajevo, one of six UN-designated "safe areas" for Muslims, and American aircraft assigned to NATO now will be sent to defend them. Some important particulars of planning and consultation evidently remain to be done, but it is expected that the United States will start providing air cover in Sarajevo within the next several days. This is not the solution to every problem of American policy in the Balkans, but it is a right and necessary thing to do. President Clinton said on Wednesday that he did not know whether American intervention would be enough to deter aggression, save Sarajevo and bring the parties to the table — actually, they are already at the table — but that the United States would do "our part." It has never been entirely clear just what he considered "our part" to be, and it is not now. In any event, the evidence of the past few days is that it may be a somewhat changeable and flexible thing. The entry of American forces into battle, under whatever terms, is bound to be an event in the Yugoslav wars. It compels all the local parties to recalculate their policies in light of what they think the Americans might do next. In particular, the Serbian attackers, who are in their second year of murdering the people of Sarajevo, must now decide whether they wish to add Americans to their list of targets. To send Americans into combat, even on a restricted mission, is always a grave decision for an American commander in chief, and it is a particularly delicate one for this president. He must deal with a public numbed by the death and suffering in Bosnia but uncertain about its impact on the American national interest and wary of being drawn into a deeper engagement. The dispatch of air cover for UN peacekeepers, however, does meet the principal criteria that Mr. Clinton laid down for a military role: a limited and purposeful mission undertaken under UN resolutions and in full consultation with the allies; presumably there will also be full consultation with Congress and the American people as well. By helping to firm up the "safe areas" for Bosnia's Muslims, the United States can strengthen their negotiating position and save lives. Most of all, it can demonstrate that it has not turned its back on the Balkan agony. —THE WASHINGTON POST.

What About Foreign Aid?

This was supposed to be the year in which America's foreign aid program experienced the comprehensive restructuring long sought by supporters and opponents alike. It was also to be the year in which a new administration committed to sustainable economic development and the eradication of poverty would provide leadership in targeting aid money on poorer nations that are taking the right measures to raise living standards. Unfortunately, the opportunity for achieving both ends is fading fast. If the moment is lost, the Clinton administration will have itself to blame. The time was ripe for addressing the host of aid reform issues when the House Foreign Affairs Committee considered the foreign assistance authorization legislation earlier this year. The chairman, Lee Hamilton, and his Republican counterpart, Benjamin Gilman, had produced a first-rate reform package four years ago and were eagerly awaiting an administration that had the same interest in foreign aid. But Clinton administration was unprepared to engage the House in a serious discussion, despite earlier pledges to have a restructuring plan ready for Congress in the spring. The Senate Foreign Relations Committee is faced with a similar dilemma: it is ready to tackle the problems as well. But the Hill has been stymied by interminable executive branch reviews and turf battles that have left the reform plan languishing in the inboxes of senior bureaucrats. Meanwhile, it is close to business as usual with the foreign aid appropriations bill. As the administration meanders, the House has sent to the Senate a spending bill that chops away at what is already a tight aid request. The bill's huge engines — aid to Russia, Israel and Egypt — almost guarantee that most of the administration's money requests will safely pass through Congress in spite of overall budget constraints. But a terrible price is being paid as a result. To make room for these politically inviolable items, programs that serve the poorest of the poor — the World Bank's International Development Association, the Agency for International Development's fund for Africa — had to take serious hits in the House-passed bill. What is worse, people in the world's poorest nations must bear the burden of cuts in order to fund aid to Ireland, Portugal, Greece and Turkey and — unkindest of all — \$7 million for African elephant conservation. Where is the administration? —THE WASHINGTON POST.

Other Comment

Detering the North Koreans

If Kim Il Sung gets the bomb, it would set off a strategic earthquake across the region, in effect forcing Seoul and then Tokyo to reconsider their no-nuke posture. Simply put, Asia is not ready for a nuclear-armed Japan, and the resulting upheavals might easily make Bosnia and Somalia look like sideshows. This is why Asians are heartened by news that the U.S.-Korean talks in Geneva may ultimately lead to the North's opening its sites for inspection. Even more gratifying in Asian leaders was Mr. Clinton's decision to visit the demilitarized zone and give unequivocal support to his South Korean ally. While the American security umbrella re-

mains the most important guarantor of Asia's security (as well as its prosperity), many wonder whether the withdrawal from Subic Bay naval base and the inevitable scale-back from Cold War levels signal disengagement. Mr. Clinton says "no," but the signals coming from his administration are mixed. In particular, the dramatic cuts in the U.S. military budget threaten America's deterrent capabilities. Whether U.S. and South Korean leaders believe that force is necessary to take out North Korea's nuclear program is a question we cannot answer. But surely North Korea will take U.S. warnings seriously only so long as the United States and its allies have the capability for doing so. —Far Eastern Economic Review (Hong Kong).

Impose Corridors in Bosnia and Arrange a Settlement

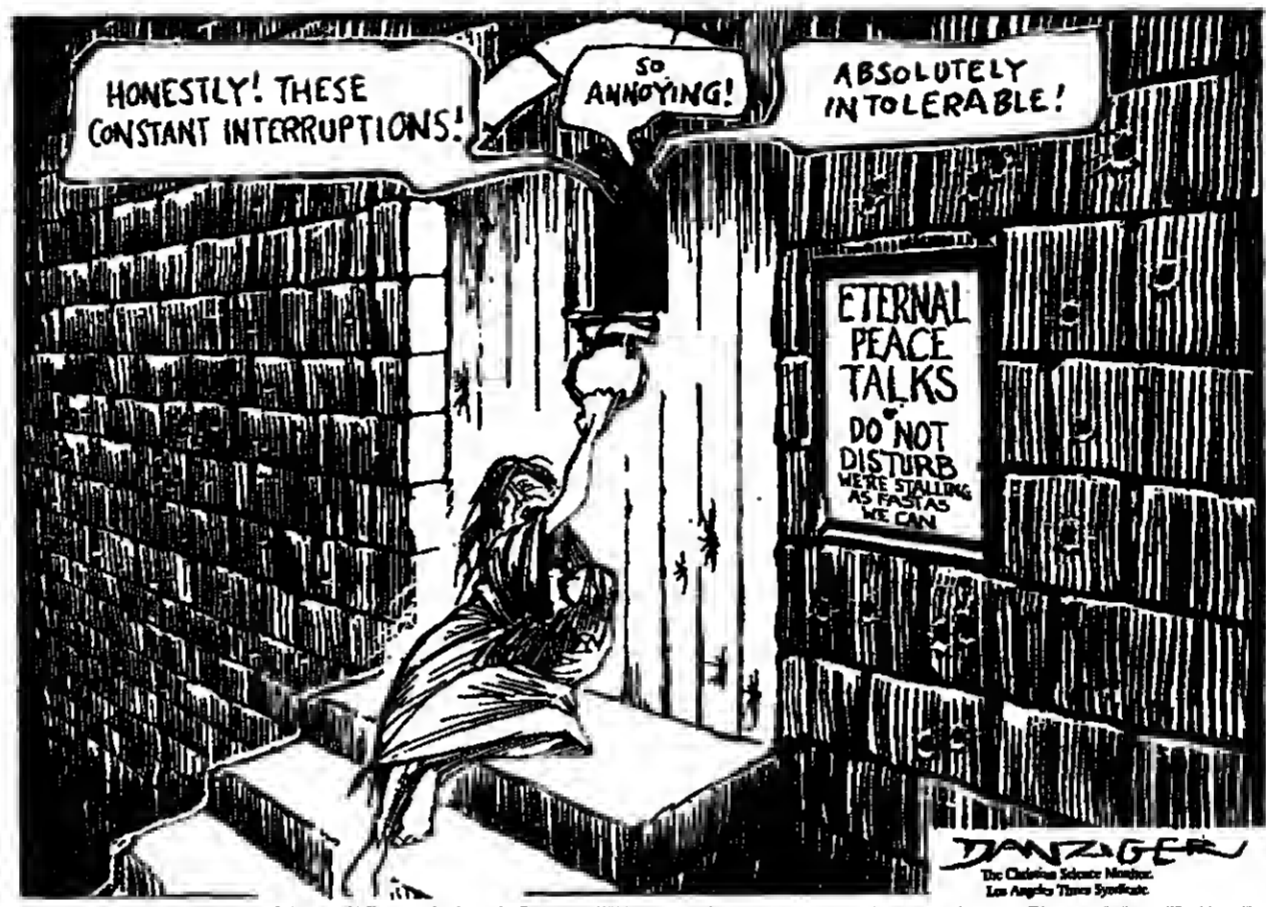
By Misha Glenny

SALONIKA, Greece — The international community appears content to wash its hands of Bosnia-Herzegovina. Yet before we settle too comfortably in our seats for a spectacle of unimaginable carnage, it is worth remembering that Bosnia-Herzegovina and the Balkan Peninsula have not yet washed their hands of the international community. If the fighting does not stop by the end of October, at the very latest, the danger of the southeast European security situation deteriorating into a morass like the one that preceded World War I will become acute. What is at stake is the stability of Europe. Another strife-ridden winter in Bosnia will lead to the deaths of hundreds of thousands of civilians at the hands of heavy artillery, exposure and hunger. Already the office of the UN High Commissioner for Refugees in Sarajevo is warning that a network of effective corridors must be established within three weeks to provide humanitarian aid to Srebrenica in eastern Bosnia. If this does not happen, the UNHCR says, it will have no choice but to organize the evacuation of the 40,000 inhabitants and refugees in the town. Until UN corridors and safe areas are established, President Bill Clinton's offer to support UN troops with air power will be meaningless, because alone it cannot promote the delivery of humanitarian aid. Without the corridors and safe areas, the fate of Srebrenica will be repeated in Gorazde and Zepa and finally in Tuzla and in Sarajevo, where some 300,000 people are threatened by death or displacement. Tens of thousands more are threatened by the fighting between Muslims and Croats in Mostar and by other struggles in central Bosnia. Western Europe and the United States need to protect the civilians in Bosnia out of self-interest. If they don't, the powerful historical forces that drive the Bosnian conflict will gain further strength as they wreak havoc not just in the Balkans. The Clinton administration's preferred so-

lution — lifting the UN arms embargo on the Bosnian government — was never anything less than a naive illusion. A cursory reading of European history would have suggested that circumstances would force Russia to tolerate such a move, as Boris Yeltsin has stated unambiguously. The United States would have been forced to act unilaterally, destroying the delicate mechanism of consensus that the Security Council still just about offers. An end to the embargo would exacerbate the conflict in the Balkans and encourage radical elements in Serbia and Croatia. The enforcement of UN safe areas along with a political solution negotiated in Geneva represents the West's only chance to avoid a catastrophe that would surely provoke armed conflict in the southern Balkans. Mr. Izetbegovic's aim in the negotiations in Geneva must be to extract as much territory from the Serbs as possible and to save the Bosnian Muslims from physical liquidation. Partition may be a hard, perhaps toxic, pill to swallow. Yet the inability of the international community to prevent the outbreak of the war in the first place has made it inevitable. But the international community has no time left to watch the drama in Geneva unfold. It must act immediately to establish by force corridors that can protect the movement of humanitarian aid to the major urban centers. In addition, substantial forces must be deployed around the six safe areas — to which Mostar, Brcko and the Maglaj-Zepce-Zavidovic triangle must be added. ATTACKS by any of the three parties on utilities and installations under UN protection must be answered with force. The use of heavy artillery against Bosnian civilians must cease. Muslim and Croatian artillery stationed in the safe areas would have to be taken under UN control. The Security Council has passed all the resolutions needed to set up the safe zones. There is no credible excuse to postpone their creation. Senior NATO figures, including General Colin Powell, chairman of the U.S. Joint Chiefs of Staff, have argued convincingly against any use of force in Bosnia if the political aim of such action is blurred. But the aim of the safe zones, always in combination with negotiations toward a political solution, is explicit: to stop the extermination of Bosnian Muslims and to prevent a large-scale displacement of people into other Balkan areas. The war began as a conflict among the political elites of Serbia, Slovenia and Croatia. During the war in Croatia, the struggle adopted several characteristics of a nationalist war. In essence, the war in Croatia, and later in Bosnia, has been an attempt by Serbs and Croats to define the borders of their new nation-states by force.

In Bosnia, both failed to take into account the fact that for the first time in history the Muslims understood themselves to be a separate nation, making the struggle even more complex and violent than the civil war in Yugoslavia between 1941 and 1945 that accompanied World War II. The multicultural cosmopolitanism of Sarajevo has distorted Western perception of the war in Bosnia-Herzegovina. Outside the urban areas people have never referred to themselves as Serbs, Croats and Muslims but as Orthodox, Catholic or Muslim. As a consequence, after the war spread from Croatia to Bosnia-Herzegovina, it increasingly assimilated the characteristics of a religious struggle, defined by three great European faiths — the confessional desires of the empires whose frontiers collided in Bosnia. The belated formation of nation-states on disputed territory in the Balkans has coupled with the religious war to engender a hideous mutant of European history. In the two years since the war began, the international community — in particular the United States, Germany, Britain, France, Russia and Turkey — has been unable to develop a policy of consensus to kill the best. If the consensus does not take preventive action, the southern Balkans will drown in blood, and tensions between powers in the region, notably Russia and Turkey, will boil. The arrival of violence working overtime in Bosnia are forging three mighty religious axes in central, eastern and southeastern Europe. One links Rome with Zagreb via Bonn. The second joins Athens with Belgrade and possibly Moscow, while the third stretches from Zepce (the militant Bosnian Muslim city north of Sarajevo) to Istanbul and the Middle East. German support for the disastrous policy of premature recognition for Croatia was in part influenced by Rome through the offices of the German Catholic hierarchy. Russia's foreign minister, Andrei Kozyrev, has admitted that Moscow's sympathy for the Serbs is to a degree influenced by the pressure that nationalists in Orthodox Russia have placed on Boris Yeltsin. President Clinton's attempt to lift the UN arms embargo on the Bosnian government was based partly on the perception that Turkey has become crucial to American strategic interest in the Near East, surrounded as it is by oil-rich Azerbaijan, Iran and Iraq. These contradictory interests in the Balkans resulted in the international community's inability to develop a coherent, united policy that could combat the spread of war in the former Yugoslavia. It has encouraged the growth of pan-Orthodox, pan-Catholic and pan-Islamic sentiment in southeastern Europe. Marshal Tito quelled the vicious war of 1941 to 1945 in Yugoslavia by denying the Croats and Serbs their national rights. Although using undemocratic methods, he succeeded within two or three years in returning the ruthless Croatian, Serbian and Muslim warriors to their alternative state: that of docile peasants. It is now up to the UN Security Council to revive Tito's acclaimed role. Naturally, it cannot impose a one-party state. It must stifle the military zeal on all sides and then invent a political mechanism to deal with the two central causes of the tragedy: disputed borders and minorities. If the United Nations allows an uncontrolled denouement in Bosnia, it must sit back and watch the southern Balkans burn. Will the rest of Europe catch fire?

If the international community does not take preventive action, the Balkans will drown in blood, and tensions between powers in the region, notably Russia and Turkey, will boil.



The writer, author of "The Fall of Yugoslavia," is preparing a history of Balkan nationalism since 1848. He contributed this comment to The New York Times.

For Hong Kong's People, a Bad Agreement Is Not the Solution

By Martin Lee

HONG KONG — When Douglas H. Hurd, Britain's foreign secretary, visited Beijing recently, he said it was to take the message to Chinese leaders that the Chinese-British negotiations on arrangements for elections in Hong Kong in the mid-1990s must yield an agreement soon. When Yeung Sum, vice president of the United Democrats of Hong Kong, and I met Mr. Hurd and British government officials in London on Tuesday, it was to tell them that as far as the people of Hong Kong are concerned, no agreement with China is better than a bad agreement. Governor Chris Patten arrived on the scene 12 months of Chinese invective ago. Prior to his arrival, Beijing had been fully conditioned to believe that it could obtain whatever political concessions it wanted from a British government locked in a perpetual limbo. In particular, China was determined to assume a veto power over all major decisions in Hong Kong before 1997 and to ensure that all future matters would be discussed bilaterally between China and Britain, leaving no place for the Hong Kong people to help decide their own future. After an impressive start, in which he sought to listen to local opinion and respect the right of the people of Hong Kong to have a say over their future, Mr. Patten now seems to have reverted to the old colonialist pattern of secret diplomacy in which the people are kept completely in the dark. Soon after Mr. Patten was named governor, all 18 of the democratically elected members of Hong Kong's Legislative Council signed a letter to Prime Minister John Major. In it, we called on Britain to allow at least half of the council to be democratically elected in 1995. We reminded him of Britain's promise at the time it signed its 1984 Joint Declaration with Beijing that it would use the 13-year transition period before 1997 to institute a democratic system of government so that, by the date of the handover to China, Hong Kong people would have a genuine chance to rule Hong Kong. We further stressed that without a democratically elected Legislative Council, Hong Kong after 1997 would have no effective check on the potential abuse of power by the Beijing-appointed chief executive and no safeguard for the rule of law. The appointment last month by Beijing of the working body to establish the Special Administrative Region Preparatory Committee, a de facto shadow government, further confirms fears of the type of unelected yes-men and yes-women Beijing plans to install in the Hong Kong special region after 1997. While Mr. Patten rejected our unanimous call for 30 democratically

elect seats in the 1995 elections, he nonetheless devised a series of reform proposals. His reform proposals in the form of a bill, would significantly broaden the franchise in the rotten boroughs of the functional constituencies and make the Election Committee, which will return 10 of 60 members, a genuinely elected rather than appointed body. Although Mr. Patten's proposals fell short of offering genuine democratic elections, the people of Hong Kong were taken with the enthusiasm with which he defended them and his willingness to hold public forums and discuss issues. Most importantly, he assured the Hong Kong people that it would be up to them to decide on the key issue of political reform. They would have to take a stand and make difficult choices — but they were assured that the days of London and Beijing striking secret deals behind their backs were over. How ironic it is that one year after

his arrival and nine months after his widely praised policy speech, he increasingly resembles his predecessors. It is important to remember that under the terms of the Joint Declaration, even after 1997 the only areas reserved to the government in Beijing are defense and foreign affairs. Since local elections have nothing to do with either defense or foreign affairs, the arrangements for the elections should thus be a subject entirely for the people of Hong Kong to decide. Mr. Patten still promises that if the secret talks do produce an agreement, the Legislative Council will have a chance to vote on it. However, even now Beijing has taken the uncompromising position that, as any Chinese-British agreement on the 1995 election would be between sovereign powers, Hong Kong legislative councillors have no right to amend it. If there is an agreement, it is all too clear that Mr. Patten will present the council with the same empty "choice" that his predecessors presented Hong Kong on the Joint Declaration in 1985 and the Court of Final Appeal agreement in 1990. With his political reputation on the line, the governor will make the exact argument his predecessors did: If legislators seek to amend, Beijing will not accept those amendments and the deal will be off. After an impressive start, it is sad to see the change in Mr. Patten's governing. If he guts his own reform plans in a deal with Beijing, and if Britain decides finally that it will not allow for any significant degree of democracy in Hong Kong before 1997, there is little reason for the colonial government to remain. The takeover of the territory by China will simply have occurred four years ahead of schedule.

More Victims of the Secret Diplomacy

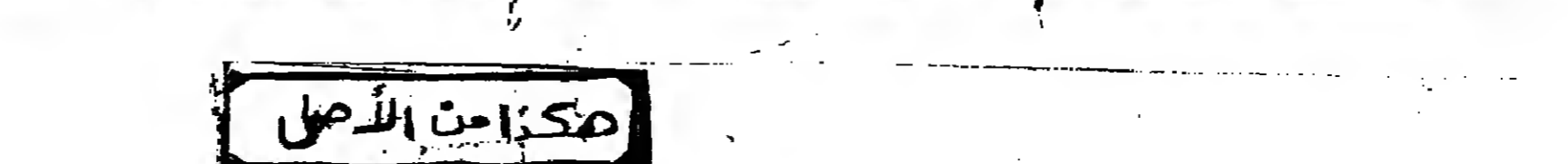
By George Hicks

HONG KONG — With 47 months to go before the British flag is taken down for the last time on June 30, 1997, Hong Kong is rapidly remaking itself in Beijing's image. Now that China is at least semi-diplomatic, this should not prove too difficult. Hong Kong is well on the way to laying the foundations of the Chinese model characterized by a mixture of corrupt semi-capitalism, a controlled press, an intimidated judiciary and an absence of human rights. The transition from Hong Kong's currently self-censored press to the right official control should not be a difficult one, except for those foreign publications that insist on adherence to Western standards of journalism. Not only is recorded corruption on the rise in Hong Kong, but the Chinese pattern of using political power to influence economic decisions is becoming prevalent. From the viewpoint of Beijing and its big business allies in Hong Kong, the only fits in the current are two outstanding individuals: Governor Chris Patten and the lawyer-democrat Martin Lee. Both are coming under tremendous pressure instigated by China to mend their ways. The governor, who only last October proposed as much democracy as possible for Hong Kong and insisted on its people being given a say in deciding their own affairs, has recently backed down. He has retreated to the old form of secret diplomacy between London and Beijing, which results in China getting what it wants and Hong Kong being presented with a fait accompli. This leaves Martin Lee. Unlike the governor, Mr. Lee is not leaving in 1997. He is prepared to fight for the cause of democracy and freedom in Hong Kong. He also enjoys overwhelming public support among ordinary people of the territory, who cannot cut deals with China and cannot leave in 1997. Beijing does not want to make so popular a figure as Mr. Lee into a martyr. Instead, it is seeking to isolate, marginalize and reduce him to irrelevance. The process of isolating Mr. Lee took a great step forward recently when Hong Kong's leading legal firms effectively treated him as a pariah. When he attempted to sue Simon Li — a high-profile, pro-China, retired judge — for defamation, he could not find a legal firm in Hong Kong to take up his case. Mr. Lee had been accused by Mr. Li of advocating a run on Chinese banks after the brutal and bloody suppression of the pro-democracy movement in China in June 1989. Mr. Lee considers this charge defamatory and wants to sue to clear his name. Although the Hong Kong legal profession has long been considered liberal, democratic and dedicated to the defense of the rule of law, it has suddenly become obvious that the choice between defending the rule of law and incurring the wrath of Beijing, yesterday (July 29) and informed him that the Government of Siam, in presence of the measures decided upon by the French Government, accepted without restrictions or reserves the ultimatum sent on July 20 last in all its terms — rectification of the frontier with the left bank of the Mekong as limit, payment of an indemnity, immediate payment of three millions and punishment of those guilty of acts prejudicial to French subjects. PARIS — Prince Vajiravada, the Siam Minister in Paris, called on M. Develle, the Minister of Foreign Affairs, yesterday (July 29) and informed him that the Government of Siam, in presence of the measures decided upon by the French Government, accepted without restrictions or reserves the ultimatum sent on July 20 last in all its terms — rectification of the frontier with the left bank of the Mekong as limit, payment of an indemnity, immediate payment of three millions and punishment of those guilty of acts prejudicial to French subjects. By late afternoon on Thursday, Mr. Lee had approached and been turned down by 18 law firms in Hong Kong. The territory has some 400 law offices but Mr. Lee only approached those who were not thought to be pro-China and with whom he had good contacts. His depressing experience is not unique. The Hong Kong Alliance in support of the Patriotic Democratic Movement of China incurred the enduring wrath of Beijing when it organized street protests in Hong Kong to protest the suppression of the democracy movement in China. The alliance brought at least a million people into the streets of the territory. Subsequently, because of

pressure from Beijing and its agents, the alliance found it exceedingly difficult even to hire an accounting firm to audit its books. With Governor Patten's retreat on his democratic reforms and with Mr. Lee a legal untouchable, the way is now clear for the rapid Sinoification of the territory. The longtime alliance between Beijing and the Hong Kong business elite has now been joined by the Hong Kong legal profession. The victim is the territory's most precious jewel: the rule of law.

The writer, an economist and author of several books on Asia, contributed this comment to the International Herald Tribune.

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OPINION

America's Debate on Immigration Just Act as a Community, But Before Waters Rise

By George F. Will

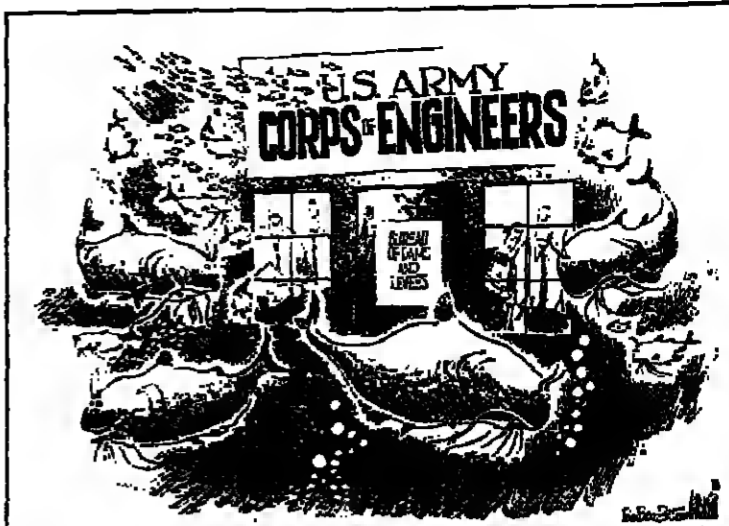
LOS ANGELES — "Nativism" is a noun denoting some nasty history. It is now an epithet distorting debate about America's policy regarding immigration.

California especially, can be a "magnet" for migrants. To the extent that the welfare culture has such enervating effects, the argument for immigration as a source of social invigoration fails.

The second difference in the context of immigration, another difference that makes problematic the tradition of liberalism regarding immigration, is the weakening of the ideal of assimilation.

WASHINGTON — While most people in the upper Mississippi Valley mourn their inundated houses, farms and businesses, some commentary on the Great Flood of '93 has taken a strangely fatalistic twist — as if the Father of Waters had been made angry by the tinkering of engineers and pitched a mighty tantrum just to rebuff mortal hubris.

The real cause of the Flood of '93 was not, in any case, anger on Olympus at the presumption of engineers. It was a freakish weather pattern that has saturated the Mississippi watershed — a force neither predictable nor preventable.



One of the arguments is economic, but the more important and interesting one is cultural.

Immigration policies, particularly in California, America is, as the Economist says, "the only First World country that shares a 2,000-mile border with the Third World... dirt roads up against bright lights."

Resolution of this argument requires complex calculations that take into account many other variables, the economic value of the infusion of entrepreneurial energy from those who travel sometimes 10,000 miles in search of entry-level American jobs.

control has been an imperative of civilized life since the first city arose on a riverbank in Mesopotamia. Fatalism about rivers run amok seems at least as valid as the superstition of our grandfathers' day that lightning rods were insults to divine will.

MEANWHILE control has been an imperative of civilized life since the first city arose on a riverbank in Mesopotamia. Fatalism about rivers run amok seems at least as valid as the superstition of our grandfathers' day that lightning rods were insults to divine will.

ENGINEERS have battled American rivers for two centuries, often in the face of prohibitive odds. The flooding of the Miami River and its tributaries in March 1913 inundated Dayton, Ohio, and other cities, with a loss of more than 300 lives and property damage exceeding \$100 million (far more in 1993 dollars).

Has the experience of 1993 spelled the end of levees after all these years? The case for second thoughts seems for the moment quite strong. In a flood, levees block the spillover of swollen rivers onto the natural flood plains.

happens to the common weal if everyone breeds as if resources were limitless. But the principle also applies to unfettered encroachment on flood plains.

LETTERS TO THE EDITOR

For a Trader's Europe

When Britain went into the Common Market, the country had a referendum. We were given to believe that it was mainly a trading agreement.

Missing Girls in China

In response to the report "In China, Thanks to Ultrasound, It's Usually Boy" (July 22).

From a social point of view, obviously, much of the misery is self-induced. We do build and till on flood plains. So long as that activity is not only not restrained but actually indemnified by all the rest of us when the gamble fails (as were Florida home builders last year, even after they had ignored hurricane-proofing regulations), it probably will continue.

There may be hope. Amid the recent ruin and sorrow, an inspiring spectacle has been that of neighbors and friends, even strangers, rushing to work selflessly, tirelessly, desperately, to save someone's house or business or church on some minute sector of the mighty river — mucking at his best, as the late Barbara Tuchman once said of the cooperative water-control enterprises of the thirteenth century.

BOOKS

THE LAST BROTHER: The Rise and Fall of Teddy Kennedy

By Joe McGinniss. 626 pages. \$25. Simon and Schuster.

Reviewed by Jonathan Yardley

THE conventional wisdom had settled into place long before "The Last Brother" lurched into the bookstores early this week. It concluded that Joe McGinniss's unauthorized biography of Edward Moore Kennedy was a mixture of unattributed fact and unsubstantiated fiction; that McGinniss had borrowed liberally from, if not actually plagiarized, earlier books by William Manchester, David Keene Goodwin and other lovers of the Kennedy flame; that McGinniss and his publisher were more interested in quick profits than responsible publishing.

we are to accept as the innermost thoughts and private remarks of Edward Kennedy, yet he offers no proof beyond the supposedly lame declaration that "the story I have told here is one I believe to be true" and that quotations therein "represent in substance what I believe to have been spoken."

badly to contribute. He needed so badly to feel that he belonged. But by the time he arrived, all the decisions had been made.

UPPERCASE it to say that the pervasive hatefulness of this book eventually reaches spectacular dimensions. So too does McGinniss's susceptibility to the most wacky conspiracy theories about the assassinations of Ted Kennedy's two elder brothers.

PHILIP WINTER, Bristol, England.

Advertisement for MCI International. Text: "IF YOU'RE HERE... AND YOU WANT TO CALL HERE... USE THIS TO GET YOU THERE." Includes a small image of a telephone handset and a list of international numbers.

In an "Author's Note" hastily tacked on at the end of the finished book — five pages of self-serving humbug — McGinniss claims that he has chosen "an approach that transcends that of traditional journalism or even, perhaps, of conventional biography" and that "I never intended that [the book] be viewed as a formal biography."

McGinniss writes, "grew to maturity both in the sadness of his father's twilight and before long, in the shadows cast by the glow of Joe Junior's and Jack's heroism." As a boy he was "wounded in spirit and garnered little respect, affection or attention either inside or outside the family."

Jonathan Yardley is on the staff of the Washington Post.

WHAT THEY'RE READING

Murray Pomerance, short story writer, is reading Francois Truffaut's "Correspondence, 1945-1984" and Stephen Aaron's "Stage Fright: His Role in Acting."

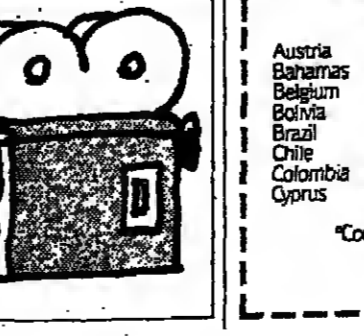


Table with international calling numbers for various countries. Columns include country names and phone numbers. Includes a note: "Country-to-country calling may not be available to & from all MCI CALL USA locations. Certain restrictions apply. *Wait for second dial tone. **Available from most major cities. *When dialing outside of Cairo, dial 02 first. *When dialing outside of Lima, the access number is 190. *Limited availability. *Collect calls to U.S. only. In some countries, public phones may require deposit of coin or phone card for dial tone. © MCI International, Inc., 1995"

Coming Soon (?) to a Screen Near You

By Barbara Rosen

BRUSSELS—As news of each new Hollywood hit travels ever faster around the globe, frustrated moviegoers outside the United States can be forgiven for muttering: So when is it coming to a theater near me?

In fact, the time gap between U.S. and foreign releases is getting shorter. But delays are still there, and they're likely to stay.

"People have the impression that their country is always the last to receive a picture, and that it's six months after everyone else," says Gary Hodes, director of European sales for Warner Bros. International in London. "In the old days, it used to be six months or even longer before the rest of the world saw anything that was released in the U.S." Today, "there are no rules of thumb," he says. "We don't routinely follow a pattern."

About 40 to 45 percent of the film revenues of the major American studios comes from outside the United States, says Harold Vogel, entertainment industry analyst at Merrill Lynch in New York. Hollywood likes to say the split is approaching 50-50. Vogel says, "but it could take to the turn of the century before that happens."

Still, the increasing importance of foreign markets is one reason that studios are getting

their films out overseas faster. Vogel says. They're also trying to recoup more quickly ever-bigger investments, he adds, as well as running to keep up with ever-more efficient worldwide communications, which generate invaluable—read free—publicity.

Basic factors can determine when a Hollywood hit opens overseas. Sometimes, for example, a film is finished so close to its U.S. release date, there isn't time to do the dubbing essential for the French, German, Spanish and Italian markets. "We dub in 22 languages, so it takes us longer to be able to take them out," says William Mechanic, president, international theatrical and worldwide video of Walt Disney Studios.

Local constraints can be as simple as the weather. Studios traditionally have avoided summer releases in Italy, because of a lack of air-conditioned cinemas. France during the August holiday was considered similarly off-limits. Still, both of these are changing, says Hodes, citing an industry effort to develop an Italian summer season, and "Lethal Weapon 3," which Warner opened in France last August and which grossed around \$30 million.

Steven Spielberg's "Jurassic Park" is being timed to open largely in accordance with school vacations: June in the U.S.; July in the U.K., Japan, Taiwan and Korea; October (on a holiday weekend) in France and in Belgium, says Andrew Cripps, senior vice

president, international sales of United International Pictures (UIP), which distributes Paramount, Universal and MGM movies outside North America. (Italy won't get "Jurassic Park" till September.)

In Brazil, where "Jurassic Park" opened in June, going after the kids dovetailed nicely with keeping ahead of the pirates. In Latin America and Southeast Asia, Cripps says, the goal is to open a film within two months of its U.S. release, to thwart the illegal-video market. Piracy problems are also bringing eastern European release dates forward, adds Hodes.

Sometimes it's simply a question of screen availability. UIP opened "Days of Thunder" in Japan in July 1991—28 hours after its U.S. opening—because that's what fit the schedule of the Japanese theater group. There was no time to show prints to the Japanese media for advance publicity. "I imagine we would have spent a million dollars more than we would have" on extra advertising, says Hy Smith, UIP senior vice president, marketing.

In Australia, where TV viewers see American morning-news shows, American films are opening sooner than they used to, says Smith. "Their media instantly pick up the hits and the misses," he says.

American films are also coming faster to Britain, but some things don't easily translate, even in the same language, Smith says. "The Firm," which opened June 30 in the

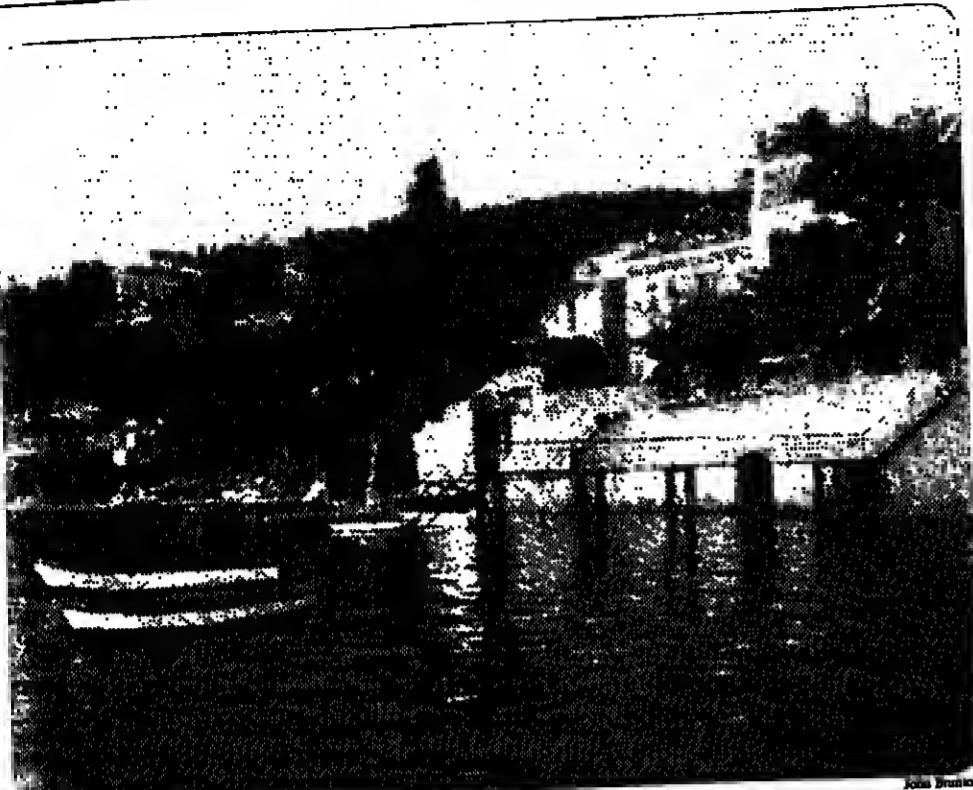
U.S., won't hit British screens until September. The book on which it's based was a best-seller in the U.S. but is less well known in the U.K., he explains. In Britain, as in Germany, UIP wanted time to churn up publicity around an American success.

Then there's always the competition. Swedish moviegoers will be able to see Warner's "The Fugitive" starting Aug. 6, the same day it's being released in the U.S., in part because waiting could have meant buying heads in Stockholm with "Jurassic Park" and/or "The Firm," says Hodes.

Once in a while, the season, the competition, the dubbing, the theater availability, all work out to let a film open around the world almost simultaneously, like Columbia's "A Few Good Men" did last Christmas.

But that's not necessarily a regular Hollywood goal. Disney's animated features are immensely popular overseas ("Beauty and the Beast" took in approximately \$205 million outside the U.S., compared to about \$146 million within), and advancing technology is attacking the dubbing delay, says Mechanic. "In and of itself, a fast release doesn't mean anything. If the movie is very good, and if it's worthy of a lot of effort, then I think time is your ally, not your enemy."

Barbara Rosen is a free-lance journalist living in Brussels.



Heybeli Island, one of the nine Princes Islands in the Sea of Marmara.

Escape From Istanbul

By John Brunton

ISTANBUL—Sightseeing in Istanbul during the long, hot months of summer can be an exhausting affair. Traipsing from the Topkapı to Hagia Sophia in temperatures seldom below 35 centigrade, putting up with the ever-worsening pollution, and fighting through the interminable traffic jams takes its toll.

What many tourists never discover is that 20 miles (32 kilometers) out from the Bosphorus, in the Sea of Marmara, lies a group of idyllic, unspoiled islands.

These nine tiny islands are only an hour's ferry ride from Istanbul, but the contrasts couldn't be more striking. There are no cars, only the delightful, two-horse carriages called phaetons. There is no noise, unless you count the clip-clop of horse hooves, no crowds of people, just deserted beaches and fragrant pine forests. And while the city swelters, the islands are always cooled by a sea breeze.

Somehow, the Princes Islands have been very well preserved architecturally, with virtually no modern buildings. The streets are lined with grand 19th-century wooden mansions that wouldn't look out of place in the Florida Keys or the Deep South of "Gone With the Wind."

The ferry only stops at the three largest islands, but if you have the time, it's easy to rent boats to explore the other six that make up the archipelago.

The name Princes Islands is said to have come from the number of royal exiles the islands attracted during the Byzantine era. The islands' convenient proximity to Istanbul made them the perfect spot to temporarily banish a troublesome rival. But it was at the end of the 17th century that the islands became

really fashionable, when wealthy Istanbul merchants and foreign diplomats began building opulent mansions there.

The islands of Burgaz and Heybeli are well worth a stop for leisurely travelers, but it is Büyükada, the largest island, that is the most beautiful, and the best place to be based. The island is marked by two large hills covered with pines, and as the ferry approaches, you can already pick out secluded mansions on the hillsides.

The harbor is filled with a mix of luxury yachts, power cruisers and simple fishing boats. Standing out on the shoreline are two white domes and the bright red shutters of the Splendid Hotel. A wooden replica of a 1920s hotel on the Riviera at Nice, the wonderfully decrepit Splendid is the perfect place to stay, especially since there simply aren't any modern Hiltons or Sheratons to choose as alternatives.

A curious mix of Arabian and Art Deco influences, the hotel looks as if it should have been in Morocco. Before seriously exploring, there are two easy walks from

the town square to get a feel for Büyükada. Cankaya Caddesi is the Park Avenue of the island, its shady trees forming a cool arcade with imposing wooden mansions along each side, a memorial to the extravagance of Victorian architecture. Just as stunning as the houses themselves are the vast landscaped tropical gardens. One of the more unassuming villas, No. 55, once owned by the head of the Turkish Secret Police, was home for five years to Leon Trotsky, the most recent leader to be exiled to the island. He lived here from 1929 to 1933, writing his "History of the Russian Revolution."

Cankaya street is especially pleasant in the early evening when the horse carriages bring the Istanbul businessmen back home, and the families of three or four generations sit out on their balconies for the ritual "good evenings" as their neighbors trot past.

The other direction from Cankaya Caddesi follows the sea front, where a dozen restaurants line the promenade. All basically offer the same menu of a dozen mezes, traditional Turkish hors d'oeuvres, followed by grilled local fish such as palamut, a tiny tuna. After the restaurants, there's a commercial pier where everything from crates of Coca-Cola to giant watermelons arrive by boat from the mainland, and are loaded onto horse carts for distribution around the island. The only people on Büyükada allowed a car are the policeman and doctor.

There are three ways to get around the island. The most picturesque is undoubtedly on foot, as you can leave the main road and explore the thick forests, and find a strip of beach all to yourself—as long as you're prepared for arduous hill treks.

There are several shops in town that rent mountain bikes, but motorbikes and scooters fall under the same ban as cars. The traditional transport, though, is the horse-drawn carriage. It may look like a tourist rip-off, but don't be put off. Scores of these phaetons crowd what is known as Carriage Square, a mad circus where the pungent odor of horse manure suddenly seems just as bad as car fumes. Prices are fixed, and the simple choice is between a long and short tour—layuk or kucuk. Just avoid the early evening hours, as there is a mad rush by commuters piling off the ferry.

John Brunton is a free-lance journalist.

HEAR THIS

Philistines strike again. An English art student's work was thrown out, literally, after a building official at a Birmingham art center mistook it for trash from the opening day party. Reuters tells us that Ceri Davies' "Piece de Resistance" involved red jellies displayed on plates and was intended as a metaphor for decay. "Moments of hard work had just gone to waste," the artist said. "I was quite horrified."



"Coneheads": Aykroyd and Curtin, top; "Poetic Justice": Tupac Shakur and Jackson, right; "Another Stakeout": Estevez, Dreyfuss, O'Donnell

Poetic Justice
Directed by John Singleton.
U.S.
From time in time throughout "Poetic Justice," John Singleton's new romantic melodrama, a pretty, button-nosed Southern Central Los Angeles beatnik named Justice, played by the pop superstar Janet Jackson, muses about life and loneliness on the soundtrack. It might be better if she sang the words accompanied by a loud backup group, so we couldn't hear them. Instead, Justice speaks the words clearly, with the fearful reverence of a child ordered to recite Poria's "quality of mercy" speech to memory overnight. Not only are the individual words comprehensible, but also enough of their meanings so that we are aware of the singular dis-

parity between the speaker and her musings. Although these are supposed to be poems dashed off by Justice to ease her pain, they are, in fact, the work of the celebrated Maya Angelou, poet and carthorse. Angelou's poems seem no less foreign to Justice than Shakespeare's language. The poems buzz around Justice's head like a swarm of benign bees on a hot summer day. They just happen to be in the neighborhood. "Poetic Justice" is a mess, but it's an adventurous one. It's a movie whose unrealized ambitions are in many ways more interesting than the goals achieved by the success of Singleton's first film, which endeared him to the Hollywood establishment. He hit the box-office jackpot in 1991 with "Boyz n the Hood," which also won him Oscar nominations as best director and best writer. As a follow-up to that comparatively conventional melodrama, Singleton is now making a serious effort to do something different. "Poetic Justice" is nothing less than an attempt to celebrate the creative impulse as a means of salvation, not only for the individual, but also for society. At least, that seems to be the point of the fuzzy new movie, which, in common with so many other second films, has neither the co-

herence nor the spontaneity of the film that preceded it.
(Vincent Canby, NYT)

Coneheads
Directed by Steve Barron.
U.S.
You'd have to visit the planet Remulak to find anyone who really thinks the Coneheads needed to be brought to the big screen. Based on the string of gleefully absurd "Saturday Night Live" sketches about a family of queasy extraterrestrials going native in America, "Coneheads" is not conspicuous for its wide-ranging wit. Nonetheless, the idea has been stretched out to feature length and propped up with eight gags, "Saturday Night Live" cameos and special effects. These visual tricks allow the Coneheads to broaden their horizons in expensive and not-terribly-necessary ways. As Hollywood's latest effort to build the Empire State Building out of toothpicks, and as a film squarely aimed at those who found "Wayne's World" too demanding, "Coneheads" still has its good charms. It brings back Dan Aykroyd and Jane Curtin in the welcome roles of Beldar and Prymat, a Conehead couple bound by weirdly touching notions of Earthly propriety.

happily embroiled as they trade television-style insults that they hardly notice what's going on across the way. A good time seems to have been had by all who made the film. In every other respect, "Another Stakeout" defies criticism. Everyone who goes to see it will probably know what to expect. There's no need to say more.
(Vincent Canby, NYT)

Samurai Kids
Directed by Nobuhiko Obayashi.
Japan
An 8-year-old child finds a 6-inch tall samurai. The little boy is having his troubles with contemporary life and the ancient warrior, lost in the 20th century, is looking for a place to die. They consequently strike up a friendship and in the end the boy grows up and the samurai grows young and, like the Tom Thumb of legend, pines himself away in a teacup. Though not much is made of the attendant allegory, lots is made of this bonding of the generations and all the special effects necessary to illustrate the differences in height and age. Some are, indeed, quite marvelous—a friendly cat towering like an elephant, a bad crowd looming like a beaked jet, a trip down a sewer with full detail. These, however, no matter how splendid, are there to make us realize the truly marvelous of the everyday. Director Nobuhiko Obayashi is a real fantasist. Through fast cutting, witty detail and extraordinary care, he effortlessly turns off his prodigious events and turns a kid movie into emotion-packed magic.
(Donald Richie, IFT)

Another Stakeout
Directed by John Badham.
U.S.
"Another Stakeout" is made for the kind of person whom television drives out of the house to the movies but who doesn't want surprises when he arrives at the theater. It's big-screen television fare. Directed by John Badham and starring Richard Dreyfuss and Emilio Estevez, the film is not only a sequel to the same team's "Stakeout" (1987), but also approximately nine out of every 10 comic-op movies made. This time the policemen played by Dreyfuss and Estevez are joined by Rosie O'Donnell, who appears as an assistant district attorney. The three are assigned to stake out a house in an upscale island community near Seattle. Their goal is to find a key witness in the trial of some Las Vegas mobsters. Their cover: married parents of Estevez. Once installed in their house next door, the three become so

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EACH WIGGLE OF HIS BIG TOE BROUGHT A SIGH OF RELIEF from the gastritis as they sipped their iced lemon tea. The toe belonged to a Paakawallah, an Indian gentleman who created a gentle breeze by working lengths of hanging cloth with a piece of string tied to his big toe. Today, happily, the hotel is fully air-conditioned, but The Long Bar boasts an updated version of the Paakawallah's fan. And those who hanker after days gone by will find plenty more at Raffles to remind them of the way things used to be.

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مسكن الامم

Don't Touch That Phone: How Hotels Profit From Gouging Customers

By Philip Crawford
International Herald Tribune

PARIS—Tourists and business travelers alike have long complained about the high cost of some hotel amenities. But outrage over things such as the \$35 room-service breakfast seems to be giving way to greater furor over the cost of a more basic service: the hotel-room telephone.

Horror stories of shocking checkout bills, sometimes double the anticipated price, due to inflated telephone charges, abound among international travelers. "It's ridiculous," said Nicholas Thaw, an architectural consultant whose work requires extensive European travel. "I recently made a 10-minute call to Paris from my hotel room in Prague and it cost over \$50. I've had similar experiences in Germany, France and all over Europe. But I've learned a lesson: never, ever use a hotel room phone unless it's a dire emergency."

The Consumers' Association, a U.K. watchdog group, reports heavy complaints by hotel patrons in Britain over telephone charges. "We heard from one young man who had to make some business calls from his London hotel room," said a spokeswoman. "The rates weren't posted, and he guessed on paying a 30 percent premium over British Telecom rates. When he went to check out, he was handed a telephone bill for £130 [about \$195], roughly twice what he'd expected. They looked away his luggage until he could ensure payment."

A 30 percent premium might seem justifiable to some patrons. Hotels are, after all, in business to make money. The fact is, however, that many European hotels make a profit

of more than 500 percent on calls made from rooms, and that's just on calls made during the daytime. When telephone rates go down at night, the hotel's profit margin gets even bigger since the saving is rarely passed on to the guest.

Take a few examples. If you're affluent enough to be staying at the Savoy in London, a 10-minute daytime call to Paris made from your room will cost £18. The British Telecom rate is £3. Ten minutes on the phone with someone in Tokyo will set you back \$64, but will cost the hotel only about £10. Profit margins like these are typical for luxury hotels in Europe.

SAy you're taking the family to Vienna and you've decided to splurge on a top-level "chain" hotel, such as the Inter-Continental. Better keep the kids off the phone. Your daughter's 10-minute call to her friend in Germany will cost 380 shillings (about \$32), 293 of which is profit for the hotel. A ten-minute call to the United States? Of the 790 shillings you pay, the hotel keeps 610.

Or, maybe your boss wants you to go to Amsterdam to attend a conference being held at the Hilton. Calling an associate in Frankfurt or Madrid for 10 minutes will cost 48 guilders (\$24), 75 percent of which will be pocketed by the hotel. The litany goes on.

"Don't even bother asking hotels in France what their telephone rates are," warned Martine Floc'hely, a spokeswoman for the Concorde Group, which owns the Hotel Crillon in Paris. "It's not in their best interest to tell you."

Perhaps not, say those who study the hotel business. "Obviously, hotels look upon their telephone systems as another profit center,"

said Charles Mason, a financial analyst who covers the hotel industry for the London brokerage Barclays De Zoete Wedd. "In London, telephone charges make up about 5.5 percent of total hotel revenues."

That might not sound like much. But when a hotel does £20 million in business per year, a reasonable figure for a luxury hotel, it translates into £1.1 million worth of phone calls, enough to pay the salaries of the hotel's management staff for several years.

A spokesman for Savoy Hotel PLC, which also owns Claridge's, in London's Mayfair section, and the Lancaster, just off the Champs-Élysées in Paris, said that few patrons complain about telephone charges. She added that lowering telephone rates is not considered a priority in the hotel industry. "People see the telephone as a necessity, and they're going to make the calls they have to make, anyway," she said.

Since that outlook indeed appears to be shared by most hoteliers, the question of the moment is: How can one beat the system?

The cheapest method of calling locally, domestically and internationally, is to use pay phones. With a coin- or phone-card-operated phone, you pay the basic rates charged by the national telecommunications system. Phone cards are typically available at post offices, newsstands and tobacco shops, and the only to the hotel lobby or around the corner. In fact, a card-accepting phone can save you literally hundreds of dollars over direct-dial room rates.

In cities where card-operated phones are not widely available, large post offices sometimes provide an alternative. In Prague, for example, the central post office has a telephone room where you give the cashier a deposit, and then go to an assigned booth

equipped with a metered phone which shows your credit ticking down. When you finish the call, you go back to the window and settle your account—computed at basic PTT rates.

OTHER options involve using the hotel room phone to access another telephone network, either a national system such as British Telecom, or a U.S. long distance carrier such as AT&T, MCI or Sprint. In many cities, local operators can also arrange billing to a major credit card. None of these services offer the basic PTT rates, of course, but the premium you pay is significantly less than the direct-dial rates charged by the hotel.

The rub is that many hotels levy a surcharge of between \$3 and \$5 just to connect you to the outside network. While some hotel chains place a limit on the amount of surcharge you'll be hit with per day, others don't, meaning that the fee kicks in for each call you make. Outcry in the United States over connection surcharges have led some hotel chains to reduce them, but consumer pressure in Europe has thus far failed to bring a tangible response.

But help may be on the way. The three major U.S. long distance carriers say they are working on technology that would enable callers in non-U.S. locations to stay connected to their networks by hitting the "pound" sign on a touch-tone phone after

each call. The caller would thus receive only one surcharge for calls made in sequence. Such a setup already exists in some U.S. cities.

William Esrey, CEO of the long-distance carrier Sprint Corp., said the only way hotels in Europe will ever lower their phone rates is if a sufficient number of customers complain. "It's ironic," he said. "Hotels are making an effort to be more customer-responsive in many areas, but here they seem to be going all out to take advantage of the customer. If a major chain would drop the surcharges or lower the direct-dial rates and then be smart enough to advertise that, we might see some change. But for now, the best way to fight it is to complain—and loudly."

You Can't Win: A Tale of Two Restaurants

By Patricia Wells
International Herald Tribune

PARIS—Summer days, summer nights, and city dwellers clamor for a touch of the outdoors. No matter that the weather is as unpredictable as ever, our natural urge is to crave meals under an umbrella, beneath the sunshine, in sight of the stars.

Diners in search of sheer urban wilderness could do no better than to wander up to the Parc des Buttes-Chaumont, an inspired 60-acre (24-hectare) park built by Baron Haussmann in 1867. There—on what was once a garbage dump—workers carved from quarries of gypsum a fantasy land of cliffs, rivers, ravines and an artificial lake. A showy pavilion on top of the hill, now known as Le Pavillon Puelbia (in honor of a Mexican battle), has been turned into a restaurant that mixes lazy country days with stiff, disciplined life in the big city.

Le Pavillon Puelbia is questionably organized. Service is helter-skelter and the atmosphere bizarre, as waiters waltz around in a daze and seemingly in disguise. Disorder reigns from the moment you call for a reservation, when you are put on hold, transferred, put on hold again, before, if you're lucky, being given a shot at offering your name and desired dining date.

Once you find your way to the towering pavilion at the top of the mountain, you find it's too cool to dine outdoors. Once seated in the elegant dining room perched in outdoor greenery, confusion continues. At one point a waiter wanders in with a quizzical look and two salads in hand, turns on his heels, then returns 10 minutes later with the same salads and finally finds them a happy home. A few minutes later, two frosted glasses of champagne arrive, and as the waiter pours a bit of bubbly he realizes his geography is off yet again. Glasses are whisked away, reappearing moments later at an adjacent table.

The food begins to arrive as hunger and impatience peak simultaneously, almost colliding in midair. A single bite of chef Christian Vergès's sea-sweet langoustines on a bed

of forest-green shoots of edible seaweed, and all is forgiven. The sauce is briny, buttery, rich and inspired, the multigrain bread chewy and restorative. The service proceeds in its blundering manner, the food continues to appease, to stimulate.

A daily special—thick veal chops paired with an avalanche of fresh, wild mushrooms—is a study in classic perfection. The veal is real meat, not mush, cooked attentively rare. The mushrooms arrive without a trace of grit, full of flavor unmasked by creative shenanigans. A main course daurade is tender and ocean-fresh, paired with chunks of fresh artichokes, a traditional showstopper of gentle, subtle flavors. Desserts are showstoppers, with a state-of-the-art nougat glacé, and a magnificent bowl of fresh berries topped with fruit-infused sorbets.

Do take a trip to the park, but leave your watch at home, and carry equal doses of hunger and patience.

Perhaps the only Parisian vista that can equal the view from the Eiffel Tower itself is the view that overlooks the city's most magnificent monument. Now the government has wisely offered its public dining access to the extraordinarily placed terrace of the Palais de Chaillot, with a new restaurant—Les Monuments—set on the steps of the Art Deco Musée des Monuments Français.

PERCHED on a hill across the Seine from the Eiffel Tower, the twin sandstone pavilions of the palace were built for the Paris Exhibition of 1937, replacing the Palais de Trocadero, built for the 1878 exhibition exposition.

A table on the terrace offers one of the city's most memorable perspectives, as you sit on a stage observing the comings and goings of Parisians, of tourists, of children playing adults, and adults frolicking as children.

As night falls, the Eiffel Tower demands your attention, as sunsets pale and give way to the golden, elegant lighting of the tower. Les Monuments, with casually elegant umbrella-topped tables seating about 80 diners outdoors and 120 indoors, is a magnificent idea. And Christian Constant (of pastry and

chocolate fame with shops at 26 Rue du Bac in the 7th arrondissement and 37 Rue d'Assas in the 6th) is at the helm, ushering diners to their table in a most genuine and gentlemanly manner. He's a congenial host, seeming sincere and eager to please.

But alas, the food to date is dreadful, bordering on the inedible. Hors d'oeuvres appear as tacky toothpicks stacked with cubes of mystery cheese and bland cherry tomatoes. A starter of charlotte de légumes is tasteless and watery, and the attempt to boost the flavor with a dose of Tabasco is simply silly: the smoked salmon, served with a skimpy offering of cucumbers doused with sour cream, is a safer bet. I've never sampled worse pinade, or guinea hen, than I did at Les Monuments, where the bird was fatty, gristy, tough, and seemed to have been cooked and/or reheated in some modern, mechanical manner. The tuna—two thick slices sandwiching a thick, innocuous tomato sauce—was at least edible, though the accompanying pasta came in a gluey mound, stuck together with its own starch. Desserts, which are Constant's claim to fame, were disappointing as well. The nougat glacé rates an 8 out of 10, while the assortment called fleurs de chaillot, which includes a banal chocolate sorbet, a tea ice cream that's simply strange, and a chocolate cake without merit.

Les Monuments, which joyfully claims to serve as "salon de thé, de café, de chocolats et d'autres plantes stimulantes" is open for lunch, dinner and afternoon tea. The most optimistic outlook is that Constant will taste the food himself, and convince himself and his staff to work toward an upgrade.

Le Pavillon Puelbia, Christian Vergès, Parc des Buttes-Chaumont (Enter at the crossroads of Avenue Bataillon and Rue Botzaris), Paris 19, Tel: 42.08.92.62. Closed Sunday, Monday, and Aug. 7 to 23. Credit card: Visa, Mémis or 180 and 230 francs. A la carte, 300 to 450 francs per person, including service but not wine.

Les Monuments, Musée des Monuments Français, Palais de Chaillot, Paris 16, Tel: 44.03.90.00. Closed Tuesday. Credit card: Visa. 150-franc lunch menu. A la carte, 250 francs, including service but not wine.

THE ARTS GUIDE

AUSTRIA

Vienna
Galarachische Galerie (tel: 76.41.14). To Sept. 30: "Georg Raphael Donner." Works by the Austrian sculptor who mirrored the transition from the Baroque to the neoclassical style.

BRITAIN

Cambridge
Fitzwilliam Museum (tel: 33 29 00). To Sept. 19: "Relicanders of the Legends." Books of hours, art for the church and manuscripts for the court provide a survey of late medieval Flemish art.

Edinburgh
King's Theatre (tel. 7). Edinburgh International Festival including performances of Verdi's "Il Due Foscari" in a new production by the Scottish Opera (Aug. 16, 18); James MacMillan's "Buscaglia" and "Vaisito Sepulchr" (Aug. 25, 26).

London
British Museum (tel: 323.8525). To Aug. 15: "Tales of the Middle Ages." Japanese Cartoon Tradition. "Ikebana's cartoons in the Asahi Journal have made him a reputation as a sardonic satirist."

Design Museum (tel: 403.6933). To Oct. 3: "Starck." Features early prototypes of furniture and other work illustrating French designer Philip Starck's prolific output and international appeal.

Royal Academy of Arts (tel: 438.7438). To Oct. 10: "The Impressionist and the City: Pissarro's Series Paintings." Best known for his rural scenes, the Impressionist artist painted more than 300 cityscapes of Paris, Rouen, Le Havre and Dieppe during the last decade of his career.

Tate Gallery (tel: 821.13.13). To Sept. 5: "Paris Post War: Art and Existentialism 1945-55." Paintings and sculptures by artists whose work was affected by the turbulent climate of the period.

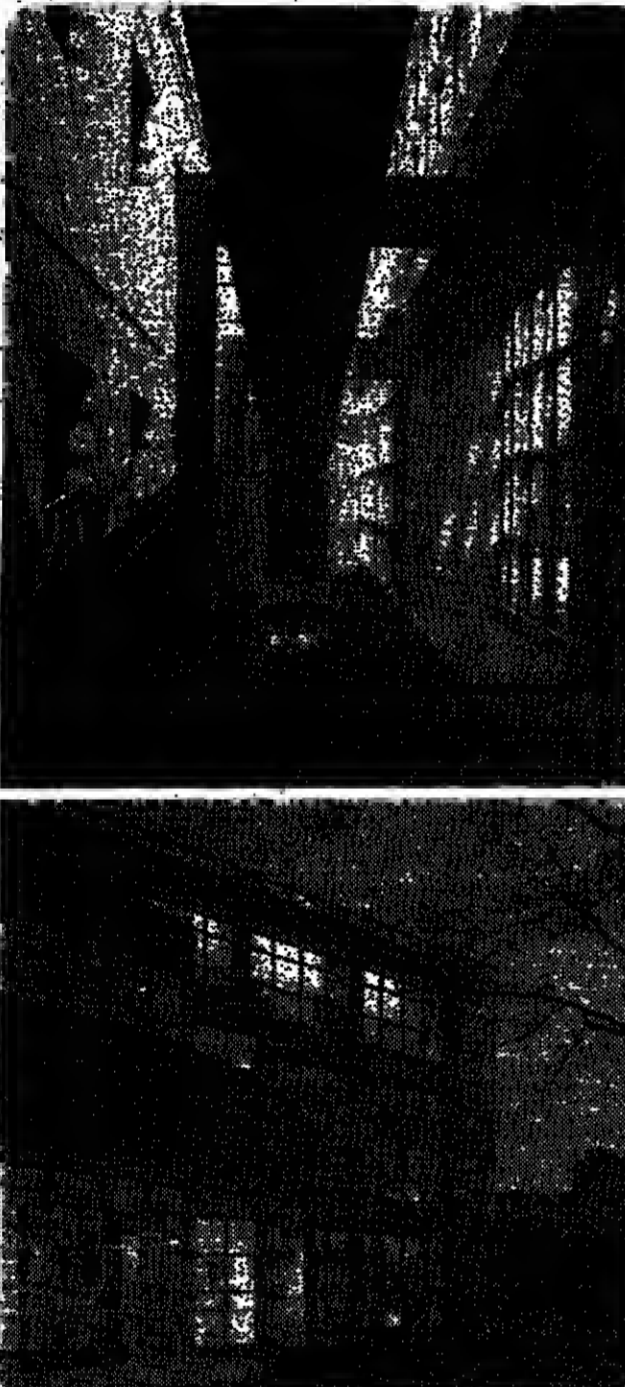
Victoria and Albert Museum (tel: 938.85.00). To Oct. 31: "High Art and Low Life: The Studio Magazine and the Artists of the 1890s." More than 200 paintings, prints and drawings. Includes works by Whistler, Munch and Rothstein, and shows how the Studio magazine influenced them.

Manchester
Whitworth Art Gallery (tel: 273.4855). To Oct. 2: "From View to Vision: British Watercolors from Whistler to Turner." A survey of the development of English landscape watercolor painting from 1750 to 1850, featuring some 150 works by John Robert Cozens, Thomas Girtin, and culminating with a number of works by J.M.W. Turner including several late masterpieces.

FRANCE

Bordeaux
Musée des Beaux-Arts (tel: 56.10.17.49). To Aug. 30: "Marc Chagall's Drawings." One hundred and fifty drawings by 20th-century artists. The collection includes a series of sketches of flowers and fruits by Matisse, 50 drawings by Marcoussis and 40 watercolor, pastels, and ink drawings by André Lhote, as well as 28 drawings by Raoul Dufy.

Montpellier
Musée Fabre (tel: 67.66.08.54). To Sept. 5: "Grand Sicile." More than 130 works by 17th-century French painters, with works by



Two buildings designed by Richard Meier, in a Rome exhibition on Meier and Frank Stella.

GERMANY

Berlin
Deutsche Oper (tel. 41.02.49). Performance of Wagner's "Der Ring des Nibelungen." "Freitagstag" (Aug. 24). "Die Walküre" (Aug. 29). "Siegfried" (Sept. 1). "Götterdämmerung" (Sept. 5).

Bonn
Kunst und Ausstellungshalle der Bundesrepublik Deutschland (tel: 917.12.00). To Sept. 30: "Alexander Calder: The Monumental Sculptures." An exhibition on the master's roof terrace of large sculptures by the American artist. In addition to the sculptures, "The Other Calder" is an exhibition of the artist's wire objects.

BRIDGE

By Alan Truscott

BRIDGE is one of the few competitive activities in which high-level performances are possible as you grow older. Ian McCance, a 65-year-old lecturer in physiology who represented Australia in a world championship quarter-century ago, did some brilliant card reading on the diamond deal. It was played in a tournament in Queensland earlier this year and was reported by Dick

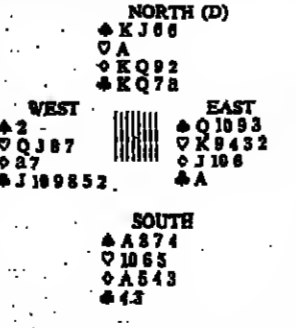
trumps ending in his hand, and did some thinking.

West needed a few points to bid one heart, and there were only 14 highcard points missing. East must therefore have made his take-out double with something less than the normal point requirement and must have some distributional compensation. South led a club from his hand, ducked in dummy and was rewarded when the ace popped up on his right. If this play had failed, it was likely that the contract was doomed on any play.

East returned a heart to dummy's ace, and two club winners were cashed.

The club seven was led, and East was forced to throw a heart, and South ruffed in his hand and ruffed a heart. This reduced the North and East hands to three spades each, and the lead of the six of

spades completed the good work: East was employed and the "impossible" game was made.



East and West were vulnerable.

	North	East	South	West
1♠	Dbl	1♥		
3♠	Pass	4♠		
5♠	Pass	Pass		

West led the spade two.

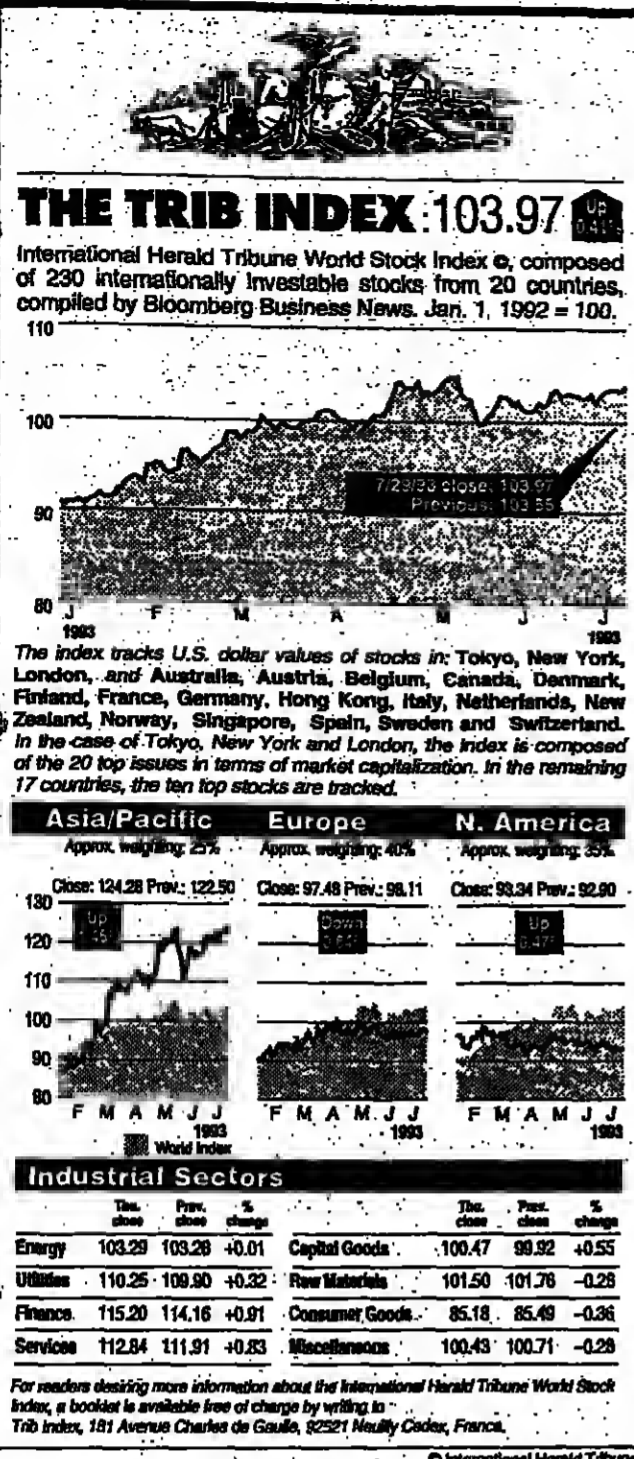
For more than a century and a half, Patek Philippe has been known as the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost or forgotten. It is made with attention to detail very few people would notice. It is made, we have to admit, with a total disregard for time. If a particular Patek Philippe movement requires four years of continuous work to bring to absolute perfection, we will take four years. The result will be a watch that is unlike any other. A watch that conveys quality from first glance and first touch.



A watch with a distinction: generation after generation it has been worn, loved and collected by those who are very difficult to please; those who will only accept the best. For the day that you take delivery of your Patek Philippe, you will have acquired the best. Your watch will be a masterpiece, quietly reflecting your own values. A watch that was made to be treasured.

PATEK PHILIPPE
GENEVE

Patek Philippe S.A.
41, rue du Rhône - 1211 Geneva 3 - Switzerland



Nestlé To Buy Italgel

By Kevin Murphy
International Herald Tribune

ROME — In Italy's first sale since announcing plans for a sweeping privatization program last fall, IRI announced Thursday that it had sold the frozen-foods concern Italgel to Nestlé SA.

Italgel, which makes Motta ice cream and other sweets, is 62 percent owned by IRI's Societa Finanziaria Meridionale foods unit. The Swiss food giant will pay a total of 437 billion lire (\$273 million), or 1,550 lire a share, for the stake.

IRI, or Istituto per la Ricostruzione Industriale, also said Thursday that it had rejected all bids for SME's Cirio-Bertolli-De Rica oils and canned-foods unit. In a statement after a 15-hour board meeting, IRI said that the offers were "incomplete, conditional and insufficient," and that it would now seek a buyer for the group through private negotiations.

As the first concrete achievement in Italy's privatization program, the sale of Italgel is likely to be taken enthusiastically by a market weary of empty promises. But financial analysts said the failure to sell Cirio also showed how difficult it would be for Rome to sell off the companies it wants to at the prices it would like.

The "news underlines how difficult it is to dispose of assets in the current economic environment," said William Cowan, Italian analyst at the London broker James Capel. SME was placed on the block earlier this year in hopes of raising cash to help IRI cover its soaring debts, which stood recently at 70 trillion lire. The U.S. investment-banking concern Wasserstein Perella & Co. was hired to find buyers.

Among IRI's mixed bag of companies, which range from banks to television to shipbuilding, SME has traditionally been profitable.

(AP, Reuters)

China Isn't Big Enough Growth-Hungry CITIC Looks Abroad

By Kevin Murphy
International Herald Tribune

BEIJING — China International Trust & Investment Corp., a pace-setter in the country's march toward a free-market economy, aims to double its assets to 120 billion yuan (\$20.8 billion) within seven years.

But as economic conditions and lines of political influence grow less certain at home, the company charged by Beijing with leading Chinese industry by example is streamlining its focus and looking overseas, particularly in Australia, for a large share of its growth.

"We are a conglomerate that wants to grow quickly," said CITIC's chairman, Wei Mingyi. "But we must narrow our spectrum, which has grown too wide. We even owned restaurants. That is not our business."

With a nationwide credit squeeze under way and Beijing directly intervening in business affairs to steer the economy back from the brink of chaos, CITIC's strategy will be closely watched by domestic business rivals and probably imitated.

"CITIC is a very, very interesting company, but a lot of other groups are chasing them now in China," said Bob Broadfoot of Political & Economic Risk Consultants in Hong Kong. "Any diversification move abroad gets them away from China where the real battles for expansion and patronage will be taking place," said Mr. Broadfoot.

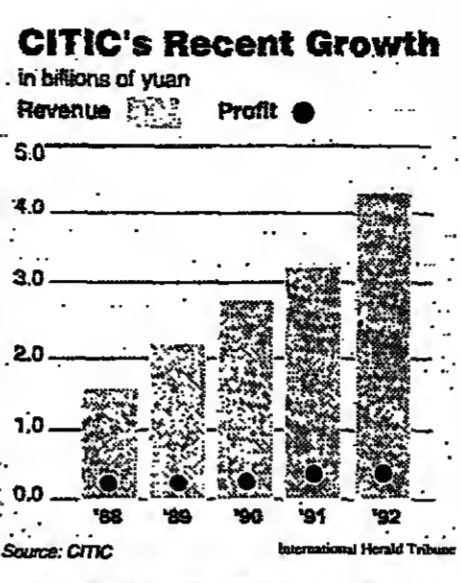
"We welcome the government's policies," said Mr. Wei, referring to Beijing's recent efforts to regain control of the national money supply and curb inflation, which hit 20.6 percent in China's largest cities in June.

"We should not be affected by moves to restrict credit because we are not quite interested in the very hot areas of property and stock market speculation," said Mr. Wei. "We are mainly operating in those areas where the state is encouraging investment, especially in infrastructure. We have plenty of room to grow."

Using the party line as an investment guide has paid off handsomely for CITIC, which was started in 1979 with \$5 million by Chong Yiren, the son of a wealthy industrialist who chose not to flee the Communist victory in 1949.

Mr. Rong and the group were directly entrusted by Deng Xiaoping, who had recently initiated free-market economic programs and an commercial opening to the rest of the world, with helping modernize the Chinese economy.

For his efforts, Mr. Rong was recently named



U.S. GNP Grew Only 1.6% in Latest Quarter

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy grew at a meager annual rate of 1.6 percent in the second quarter, despite a rebound in consumer spending, the government announced Thursday.

The growth in the gross domestic product, the sum of all goods and services produced within U.S. borders, was clearly better than the anemic 0.7 percent rate registered in the first three months of the year.

But it fell far short of the 2.3 percent rate predicted by private economists and the 2.5 percent to 3 percent rate that was forecast by the Federal Reserve Board chairman, Alan Greenspan.

"The economy remains mired in a slow-growth rut," said Gary Ciminero, chief economist for Fleet Financial Group.

"While we are clearly out of a recession, these figures reflect anemic growth that will not produce the jobs we need," Commerce Secretary Ronald Brown said.

Also Thursday, the Labor Department said the number of Americans filing first-time claims for jobless benefits shot up by 43,000 last week to 394,000, the highest level in 10 months. Much of the jump was attributed to temporary factors, including the Midwestern floods and a shutdown of automobile production lines.

The discouraging performance came despite the fact that consumer spending rose at a healthy 3.8 percent annual rate in the second quarter, compared with a tiny 0.8 percent rate in the first, the Commerce Department said.

The economy was held back chiefly because cautious businesses added \$25.3 billion fewer goods to their inventories than in the first quarter. But that could be a good sign for the future.

(AP, Bloomberg)

WALL STREET WATCH

It Isn't Hard to Figure Out Why China Tire Went Flat

By Kurt Eichenwald
New York Times Service

NEW YORK — Few would ever argue that Wall Street makes a lot of sense. Now, just as some strategists are grumbling that new taxes and regulations from Washington increase the risks to American companies' share value, their investment-banking colleagues think they have found a place where corporate prospects are just dandy: China.

That enthusiasm for Chinese companies was evident this month when shares of China Tire Holdings began trading on the New York Stock Exchange.

Demand for stock in this Bermuda-based holding company that controls two tire-manufacturing subsidiaries in China was intense: The 6.1 million shares in the initial public offering were priced July 15 at \$17 each, above the expected range of \$13 to \$15.

Still, its success was predictable. A few weeks earlier, the initial public offering of Ek Chor China Motorcycle had also been priced several dollars above the expected range of \$16 to \$18 a share. Investors expected that China Tire would be another Ek Chor.

As it turned out, they were right — but not in the way they thought. Prices of both stocks began marching steadily downhill shortly after their market debuts. From its peak of \$18.75, China Tire closed Thursday at \$12.50 on the New York Stock Exchange.

The trading history of China Tire provides a particularly useful illustration of what can happen when free-marketers turn their faith over to central planners. On July 18, the China Daily, an official Chinese newspaper, reported that the government had imposed tighter controls on institutional purchases of automobiles as part of its austerity plan.

The result, the newspaper said, was that vehicle prices were declining while inventories were rising rapidly at automakers, as much as 40 percent higher at the end of May than a year earlier.

A glut of cars usually translates into lower demand for tires. And lower production means less demand for tires. In any language, that means tires may not be the best time to hold a tiremaker's stock.

And China Tire is not the only company in this giant market. As China opens up, more foreign competitors are likely to join the more than 100 tire manufacturers already in the industry.

In fact, so many companies are competing to jump into the tire market that even Communist officials have recognized what seems to have escaped some investors: When lots of companies are producing tires, soon there are too many of them.

Could it be that the Communist government understands the rules of supply and demand better than Wall Street?

De Larosiere Gains Support In Hunt for EBRD Chief

By Erik Ipsen
International Herald Tribune

LONDON — The Italian government came under intense pressure on Thursday to withdraw its candidate for the presidency of the European Bank for Reconstruction and Development in order to clear the way for Jacques de Larosiere, the French central bank governor, to take the job.

That pressure was heightened by the decision of Denmark on Thursday to withdraw its candidate in favor of the Frenchman. "Our candidate is now Mr. de Larosiere," said Ager Lund-Sorensen, the Danish representative on the EBRD's board of directors. "I have no doubt in my mind that he will be the next president."

While few would disagree with that conclusion, there was no denying that Rome's insistence on backing former Prime Minister Giuliano Amato presented to the world the image of a battered and bungling European Community unable to agree on even the simplest issues. That impression was magnified by what proved to be a premature announcement from the Belgian government, acting in its capacity as the holder of the six-month presidency, that the EC had found its man.

On Wednesday, Finance Minister Philippe Maystadt of Belgium sent a letter to his European Community peers as well as to Anne Wibble, the Swedish finance minister and chairman of the EBRD's board, informing them that after weeks of wrangling the EC had thrown its support to Mr. de Larosiere.

Not so fast, retorted the Italians. "We supported our candidate, Mr. Amato yesterday and we support him today," insisted Giuseppe Maresca, Italy's representative on the EBRD's board. He blamed Belgian "mismanagement" for the premature news of a European candidate.

On Thursday morning, Treasury Minister Piero Barone of Italy underlined his government's displeasure by sending a terse letter to his Belgian counterpart, insisting Rome felt it had adequate backing from other EC capitals for its candidate, and noting that "this contrasts with your statement of a consensus of Community level support for Mr. Larosiere."

The Belgians' claim of a consensus was further undermined by the fact that Denmark did not withdraw its candidate. Henning Christophersen, the EC Commission's vice president for economic affairs, until Thursday morning, "Last night, we made it quite clear we had not withdrawn the Danish candidate," said Mr. Lund-Sorensen.

The growing sense that the EBRD needs to get a new president on board as soon as possible and needs to avoid messy, potentially divisive electioneering amongst its member governments has combined to put pressure on Rome. "We recognize that the EC nations, as the majority shareholders in the bank, are expected to sort out one candidate and that if we do the presidency is almost decided," said Mr. Maresca, who also acknowledged his government was being pressured to fall into line.

On Friday, Prime Minister Carlo Azeglio Ciampi is to meet with his French counterpart, Edouard Balladur, in Paris. Some diplomats expect that Mr. Ciampi will use that opportunity to withdraw his candidate in return for Paris's help on matters of concern to Rome.

That would leave Leszek Balcerowicz, Poland's former finance minister, as the only other declared candidate. In the face of growing support for Mr. de Larosiere — including that of Russia last week — Warsaw is expected to withdraw its candidate.

EBRD officials are also said to be eager to see the field of candidates narrowed to one.

When free-marketers turn their faith over to central planners.

GM Swings Into Profit With \$889 Million Gain

By Doron P. Levin
New York Times Service

DETROIT — Benefiting from efficiencies in carmaking and strong performance by its non-automotive subsidiaries, General Motors Corp. said Thursday that it earned \$889 million, or 92 cents a share, in the second quarter, returning to profitability after a loss of \$703 million a year earlier.

GM's sharply improved results followed on the heels of strong earnings reports Wednesday by Chrysler Corp. and the Ford Motor Co. Overall, the U.S. auto industry has been enjoying rising demand for cars and light trucks after three years of sluggish sales.

For General Motors, the quarterly results demonstrated progress toward recovery after three years of horrendous losses: GM executives said, however, that the company had quite a way to go before it was healthy again.

"We've shown that the GM team can be innovative, responsive and effective," said John F. Smith Jr., the president. "But we must keep the momentum going in our long journey to regain a position of traditional financial strength."

Executives are concerned the United Auto Workers union may increase an improving bottom line as a sign of health and demand a fat wage and benefit package in contract negotiations. Insofar as they have helped boost quality and productivity, the autoworkers deserve much of the credit for the improving financial picture, according to Owen Bieber, the union president. "There can be no doubt that they have every right to share equitably in the industry's comeback," he said.

Of the \$889 million earned by

See GM, Page 14

Auto-Industry Secrets Battle Broadens

Germans Investigate Possible Perjury by VW's López

By Ferdinand Prottman
New York Times Service

FRANKFURT — The industrial-espionage battle between Volkswagen AG and General Motors Corp. broadened Thursday as prosecutors in Hamburg announced a new investigation of José Ignacio López de Arriortua, the controversial VW production chief accused of stealing GM trade secrets.

The new investigation coincided with a fresh round of mudslinging, one day after Ferdinand Pich, VW's chairman, publicly suggested that GM may have manipulated evidence in the case. He accused the company of waging "international economic war in order to ruin VW." General Motors officials rejected those claims at a news conference in Frankfurt on Thursday.

The Hamburg State Prosecutor's office said it was investigating whether Mr. López and some of his VW colleagues committed perjury earlier this month in sworn testimony at a hearing in Hamburg State court. It did not name the other suspects. In giving their version of events in the trade-secrets dispute, the VW executives directly contradicted statements by employees of Adam Opel AG, GM's German subsidiary.

The hearing was to determine whether Der Spiegel, Germany's most influential news magazine, had sufficient grounds in continuing publishing assertions that Mr. López and several VW employees who followed him when he left GM for VW last spring had stolen trade secrets.

The court ruled on July 21 that the magazine had sufficient evidence to make such claims.

Prosecutors in Darmstadt, Germany, as well as the U.S. Justice Department, are already investigating GM's claim that Mr. López and the seven employees who followed him systematically assembled and stole proprietary information.

"The lawyers for GM drew our attention to this," said Rüdiger Bagger, a spokesman for the Hamburg prosecutor's office. He was referring to a letter sent by Opel's legal department, detailing the incidents of contradiction and pointing out that since both versions cannot possibly be correct, one version must be perjurious.

Mr. Bagger warned that the investigation should not be seen as presuming guilt on Mr. López's part. Because of the heavy publicity surrounding the affair, "in this case special measure of the presumption of innocence applies," he said, adding that the truth would only come from the investigation being conducted by the Darmstadt prosecutor's office.

GM officials said they were astonished by VW's response to such serious allegations against Mr. López and stunned by Mr. Pich's rambling assault on GM and Opel on Wednesday.

In Frankfurt, Hans Wilhelm Gäh, the executive vice-president of General Motors Europe and a member of Opel's supervisory board, rejected Mr. Pich's version of the trade-secrets struggle. He zeroed in on the VW chairman's allegation that an unknown "fourth party" handled four cartons of GM documents that were found in the Wiesbaden apartment of one of the former GM employees.

"The investigation will show that this allegation is just as lacking in substance as the other accusations now made by Mr. Pich," Mr. Gäh said.

CURRENCY & INTEREST RATES

July 29

Cross Rates	July 29	July 28	Change
American \$	1.00	1.00	0.00
British £	0.75	0.75	0.00
French F	6.55	6.55	0.00
German M	1.93	1.93	0.00
Italian L	2.00	2.00	0.00
Japanese ¥	163.60	163.60	0.00
Swiss S	1.48	1.48	0.00
Spanish P	166.37	166.37	0.00
U.S. dollar	1.00	1.00	0.00

Key Money Rates	July 29	July 28	Change
3-month T-bill	7.75%	7.75%	0.00%
6-month T-bill	8.00%	8.00%	0.00%
1-year T-bill	8.25%	8.25%	0.00%
3-month Euro	10.00%	10.00%	0.00%
6-month Euro	10.50%	10.50%	0.00%
1-year Euro	11.00%	11.00%	0.00%

Other Dollar Values	July 29	July 28	Change
Canada	0.75	0.75	0.00
France	6.55	6.55	0.00
Germany	1.93	1.93	0.00
Italy	2.00	2.00	0.00
Japan	163.60	163.60	0.00
Spain	166.37	166.37	0.00
Switzerland	1.48	1.48	0.00

Forward Rates	30-day	90-day	6-month	1-year
U.S. dollar	1.00	1.00	1.00	1.00
British £	0.75	0.75	0.75	0.75
French F	6.55	6.55	6.55	6.55
German M	1.93	1.93	1.93	1.93
Italian L	2.00	2.00	2.00	2.00
Japanese ¥	163.60	163.60	163.60	163.60
Swiss S	1.48	1.48	1.48	1.48

MARKET DIARY

Lower U.S. Rates Push Stocks Up

NEW YORK — Stock prices rallied on the New York Stock Exchange on Thursday, as falling long-term interest rates prompted investors to overlook more signs of economic weakness.

The yield on the benchmark 30-year Treasury bond tumbled eight basis points to 6.57 percent. Yields dropped after the Commerce Department said the economy expanded at a rate of only 1.6 percent in the second quarter, lagging behind the 2.2 percent pace economists projected.

N.Y. Stocks

Trading day for the first time in about three years, on growing concerns that the European Monetary System is about to unravel. Investors bought when currency fluctuations threatened the value of other assets. The metal eased later to close at \$397.80, up \$4.40.

The surge in stocks was led by Allied-Signal Inc., which jumped 2 1/2 to 7 1/2 on better-than-expected second-quarter earnings.

The gain in the Dow was tempered by weakness in Aluminum Co. of America shares and computer-guided self orders that took effect in afternoon trading. Alcoa, which has rallied in recent days, closed down 1 1/2 at 71 3/4 amid gloom generated by the merger gross domestic product growth.

Sun Microsystems rose 1 to 29 1/4. The computer-workstation maker's fourth-quarter earnings soared to 72 cents a share from 37 cents a year ago, surpassing analysts' estimates of 66 cents.

Chrysler Corp. rallied 1 1/2 to 43 3/4. The automaker plans to raise prices an average of 1.2% in 1994 model cars and trucks.

GRID: Franc Open to Speculators

Continued from Page 1 pending the system of fixed exchange parities.

Market conviction that the system of fixed exchange rates will collapse. Investors' neighbors to slash interest rates to levels more appropriate with deepening economic recession and rising unemployment, was evidenced by the strong rally in prices of French stocks and bonds.

Foreign Exchange

The CAC-40 index of French stocks rose 46.47 points, and yields on 10-year government bonds, which move inversely to prices, fell nine basis points, to 6.69 percent, in the belief that once the franc was removed from the ERM the government would have a free hand to cut interest rates.

Amex Diary

Advanced Declined Unchanged Total Issues New Highs New Lows



The Dow Daily closings of the Dow Jones industrial average

Dow Jones Averages

Table with columns: Open, High, Low, Last, Chg. Rows: Industrials, Finance, Utilities, Commodities, Total Issues.

Standard & Poor's Indexes

Table with columns: High, Low, Close, Chg. Rows: Industrials, Finance, Utilities, Commodities.

NYSE Indexes

Table with columns: High, Low, Close, Chg. Rows: Composite, Industrials, Finance, Utilities.

NASDAQ Indexes

Table with columns: High, Low, Close, Chg. Rows: Composite, Industrials, Finance, Utilities.

AMEX Stock Index

Table with columns: High, Low, Close, Chg. Rows: 30 Bonds, 10 Utilities, 10 Industrials.

Dow Jones Bond Averages

Table with columns: High, Low, Close, Chg. Rows: 30 Bonds, 10 Utilities, 10 Industrials.

Market Sales

Table with columns: Buy, Sell, Short. Rows: NYSE, AMEX, NASDAQ.

N.Y.S.E. Odd-Lot Trading

Table with columns: Buy, Sell, Short. Rows: July 29, July 28, July 27, July 26, July 25.

S&P 100 Index Options

Table with columns: Strike, Call, Put, Open, High, Low, Last, Chg.

EUROPEAN FUTURES

Food

Table with columns: High, Low, Last, Settle, Chg. Rows: Wheat, Soybeans, Corn, etc.

Metals

Table with columns: High, Low, Last, Settle, Chg. Rows: Aluminum, Copper, Nickel, etc.

Stock Indexes

Table with columns: High, Low, Last, Settle, Chg. Rows: FTSE 100, Nikkei, Hang Seng, etc.

Spot Commodities

Table with columns: Commodity, Today, Prev. Rows: Crude Oil, Natural Gas, etc.

Dividends

Table with columns: Company, Dividend, Payout Ratio, etc.

Industrials

Table with columns: High, Low, Last, Settle, Chg. Rows: Dow Jones Industrial Average, etc.

U.S. FUTURES

Grains

Table with columns: High, Low, Last, Settle, Chg. Rows: Wheat, Corn, Soybeans, etc.

Metals

Table with columns: High, Low, Last, Settle, Chg. Rows: Gold, Silver, Platinum, etc.

Livestock

Table with columns: High, Low, Last, Settle, Chg. Rows: Cattle, Hogs, etc.

Financial

Table with columns: High, Low, Last, Settle, Chg. Rows: Treasury Bonds, etc.

Food

Table with columns: High, Low, Last, Settle, Chg. Rows: Coffee, Sugar, etc.

Industrials

Table with columns: High, Low, Last, Settle, Chg. Rows: Various Industrial Futures.

France Is Urged to Quit ERM

LONDON — Six leading economists called Thursday for France to lead the way in the abandonment of the ERM. In an article in the Financial Times, they argued that Europe was repeating the mistakes of the 1930s, when countries tried to maintain currency values in spite of economic depression.

Half of Altman Charges Dismissed

NEW YORK (AP) — A judge threw out four of eight criminal charges Thursday against Robert Altman, the Washington lawyer accused of conspiring with the now-defunct Bank of Credit & Commerce International to defraud federal regulators.

Price War Hurts Earnings at RJR

NEW YORK (Bloomberg) — RJR Nabisco Holdings Corp. said second-quarter operating profit fell 32 percent as a cigarette price war dragged down results at its domestic tobacco business.

UAL Posts an 'Unsatisfactory' Profit

CHICAGO (UPI) — UAL Corp., parent of United Airlines, on Thursday reported second-quarter earnings of \$22 million, or 54 cents a share, reversing a loss of \$91 million in the year-earlier quarter.

U.S. and Mexico Set Cleanup Agency

WASHINGTON (NYT) — The United States is planning to create a joint agency with Mexico that would issue bonds to pay for keeping their border clean, seeking to gain support from environmentalists for the North American Free Trade Agreement.

Europe Drags Down Disney Results

BURBANK, California (Combined Dispatches) — Walt Disney Co. said it had a loss on its investment in the Euro Disney theme park in France of \$30.9 million in its third quarter, bringing the company's earnings below the expected level.

For the Record

Xerox Corp. said profit fell 10 percent, to \$112 million, as copier sales fell. Revenue slipped to \$3.54 billion from \$3.55 billion.

WORLD STOCK MARKETS

Agency France Presser July 29

Table of world stock markets including Amsterdam, Brussels, Frankfurt, London, Milan, Madrid, Paris, Singapore, Stockholm, Toronto, Zurich, and others.

U.S. FUTURES

Via Associated Press July 29

Table of U.S. futures markets including Grains, Metals, Livestock, Financial, and Food.

U.S. FUTURES

Via Associated Press July 29

Table of U.S. futures markets including Grains, Metals, Livestock, Financial, and Food.

EUROPE

Allianz Plans 3,000 Job Cuts

Bloomberg Business News
MUNICH — Allianz AG Holding, Germany's largest insurer, said Thursday it planned to cut its work force by 3,000 this year to about 60,000, saving an estimated 150 million Deutsche marks (\$87.7 million).

Store Clubs Cross Atlantic Warehouse Shopping Sets U.K. Debut

Bloomberg Business News
LONDON — Supermarkets in Britain, fighting for market share with increasingly popular U.K. discount chains, now face a new threat from American-style warehouse clubs led by Costco Wholesale Corp.

ICI Profit Exceeds Forecasts, Rising 14% in First Half

Compiled by Our Staff From Despatches
LONDON — Imperial Chemical Industries PLC said Thursday that its pretax profit had risen 14 percent in the first half, to £167 million (\$249 million), from £145 million a year earlier.

Investor's Europe
Frankfurt DAX, London FTSE 100 Index, Paris CAC 40. Includes line graphs for each index and a table of exchange rates.

Very briefly:
Newspaper Publishing PLC, which owns The Independent, said its chief executive, Andreas Whitman Smith, was stepping down to concentrate on revamping the newspaper.

Costco likes to say it sells everything but live animals.

Paul Moulton, managing director of Costco Europe (U.K.)
council's decision to categorize Costco as a wholesaler rather than a retailer. A spokesman said the three wanted a "level playing field" in the struggle for food buyers' business.

Solvay Shares Tumble on Loss

Compiled by Our Staff From Despatches
BRUSSELS — Belgium's largest chemical company, Solvay SA, posted a larger-than-expected loss of 5.72 billion Belgian francs (\$159.8 million) for the first half of 1993, its first loss since 1981.

EC Lets Italy Pay EFIM Debt

BRUSSELS — The Italian government struck a landmark deal with the EC Commission on Thursday that will allow Rome to pay off billions of dollars in debts run up by the state-owned EFIM conglomerate, Italian diplomats said.

COMPANY RESULTS

Table of company results including Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated. Lists companies like American Express, AMP, Asarco, etc.

NASDAQ

Table of NASDAQ stock prices for various companies, including symbols, prices, and volume.

Large table of stock market data, including high/low/stock/price/volume for various companies and indices.

A Lot Riding on Japan's Rail Sale
Weak Investor Response Could Depress the Market

By James Sterngold
New York Times Staff Writer

TOKYO — For most people who live in Japan's urban areas, the morning rush-hour ritual includes rail-station employees physically shoving and squeezing passengers into overcrowded cars as the doors close on their briefcases, clothes and limbs.

But whatever the system may lack in comfort, it remains one of the most efficient railroads in the world, which is why the government's plan to privatize the biggest part of it has drawn a good deal of interest in an otherwise wobbly stock market.

After six years of planning and several false starts, Tokyo plans to sell half of the 4 million shares it owns in East Japan Railway Co., known as JR East. The first 500,000 shares will be auctioned in a process that starts next Friday, and the remaining 1.4 million sold at a fixed price, in one of Japan's largest and most important privatizations in years.

One worry, in fact, is that the offering could be too big in a fragile market. It could bring in as much as 600 billion yen (\$3.64 billion), compared with 431 billion yen raised by corporate Japan from all issues of new securities in April, said Jeff Bahrenburg, senior market strategist at Merrill Lynch Japan.

A failure of the JR East offering could badly hurt the overall stock market and damage the Finance Ministry's credibility.

Individual investors who fled to the sidelines in the first stages of the stock market's plunge nearly four years ago are expected to be among those purchasing JR East shares.

"If this issue failed, it would be a national crisis," said Jesper Koll, senior economist here with S.G. Warburg Securities. "They are desperate to prove that the Japanese stock market can function in the economic sense, channeling savings to investments."

This is a nation of railroads. The average Japanese person travels 1,800 miles a year by train, compared with just over 600 miles for each French person and 48 miles for each American.

Japan's metropolitan regions are remarkably dense, allowing JR East to carry many of its passengers on the national railroads of Germany, France, Britain and Switzerland with only a fraction of their employees and far fewer miles of track.

JR East was one of seven systems created when Japan National Railways was broken up in 1987 as it edged toward bankruptcy. It had long-term debt of 37.2 billion yen.

JR East is the biggest and among the most promising of the new operating units, serving the region from Tokyo north to the tip of Honshu, the main island. There are two bullet-train lines as well as a spider's web of commuter lines through the Tokyo region.

In the year ended March 31, JR East had pretax profit of 100.9 billion yen. It projects a minuscule increase this year, to 101.2 billion yen. Its long-term debt now is 5.1 billion yen.

But the company is heavily regulated, with a virtual monopoly on most routes. The government can decree its profitability by setting rates.

Robert Rowland, an analyst at Barclays de Zoete World Securities here, said JR East's stock could fetch as much as 550,000 yen a share, but that efforts to restrain the price will probably keep it below 400,000 yen. He expects the stock to show solid if unspectacular growth and to benefit from government help.

The Finance Ministry has already registered its concern for the market's overall health by requiring a number of pension funds it controls to purchase large amounts of stock.

"It's like buying a utility," Mr. Rowland said. "It's something you buy and hold."

Ridding Opened to Foreigners
Investors will be able to submit bids for JR East shares to Japan National Railways Settlements Corp. between next Friday and Aug. 11, Bloomberg Business News reported from Tokyo. The shares will be auctioned in lots of from 50 shares to 30,000 shares.

Foreign investors may participate, except for employees of foreign financial institutions. Those who live abroad can only participate through a Japanese proxy such as a bank, securities company or other financial institution. They must submit a set of documents, including a letter of delegation, to JNR Settlements Corp. by Aug. 11. Shares will be allotted Aug. 26.

An additional 1.4 million shares will be sold in a secondary offering to individual investors between Sept. 2 and 10.

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Output Decline In Japan Is Now Longest Ever

Compiled by Our Staff From Dispatches

TOKYO — Industrial production in Japan fell 3.1 percent in June from a year before, the 21st monthly decline in a row, the Ministry of International Trade and Industry said Thursday.

The decline is the longest on record, having surpassed the 20-month decline in the recession of the 1970s, said Koichi Yoshimoto, a ministry official, and it is not expected to end soon.

Compared with May, output in June rose by a seasonally adjusted 1.3 percent, the ministry said. But economists said the month-on-month rise reflected low output in May rather than a sign that production was picking up.

"The year-on-year figure is a more accurate reflection of what is going on in the economy," said Matthew Serlow, senior economist at Credit Lyonnais Securities. "And the numbers aren't encouraging."

Many major industries, such as automobile production, are coping with the economic slump by granting workers longer vacations this summer, which will mean weak production statistics for July and August as well.

The economic slowdown is also causing a problem of excess inventories at manufacturers. The data released Thursday showed that inventories had risen a seasonally adjusted 0.4 percent in June from May, after a revised 0.6 percent increase in May.

"There is very little demand from the private sector, and that is causing a drag on production," Mr. Yoshimoto said. "But there are signs that the economy is near hitting bottom."

The ministry's survey included a ratio of inventories to shipments, a number that normally begins to fall as the economy reaches the bottom of a downturn.

This inventory-to-shipment ratio fell a seasonally adjusted 1.3 percent in June, compared with May, the ministry said.

Separately, Japan's steel exports in June soared 45.7 percent from a year earlier to 2.56 million metric tons, the Japan Iron and Steel Federation said.

It was the 14th consecutive monthly increase in exports, the federation said.

(Bloomberg, AP)

Investor's Asia
Table with columns for Exchange Index, Thursday Close, Friday Close, % Change. Rows include Hong Kong, Singapore, Tokyo, Kuala Lumpur, Bangkok, Seoul, Taipei, Manila, Jakarta, New Zealand, Bombay.

Sources: Reuters, AFP International Herald Tribune

Very briefly:

- MBI Indonesia, a Malaysian-controlled company, is leading a consortium that aims to build a power plant in Vietnam costing more than \$1.2 billion, the largest foreign investment in Vietnam to date.
• Dow Jones & Co. said it had agreed to take a 29.5 percent stake in Asian Business News of Singapore, Asia's first satellite news channel.
• Coca-Cola Co. said it would build a second bottling plant in China, in Chongqing in Sichuan province, with the Kerry Group of Malaysia.
• Malaysia is planning to pay for 18 Russian Mig-29 jet fighters by supplying Moscow with palm oil over a five-year period.
• Groupe AXA of France said it would invest \$170 million in a bid to penetrate Japan's insurance market.
• Pertamina, Indonesia's state-owned oil company, said that stalled talks with Exxon Corp. over a joint oil project in the Natuna islands in the South China Sea were likely to resume. Pertamina had broken off the talks after rejecting Exxon's demand for a 70 percent stake.
• China closed an unauthorized stock exchange in Chengdu, Sichuan Province, in a move to centralize its booming securities markets.
• San Miguel Corp. said that its first-half net profit had fallen 2.9 percent from a year ago, to 1.62 billion pesos (\$58 million).

Reuters, AP, AFP, Bloomberg, APF

Japan Firms' Books Often Hide Currency Losses

Bloomberg Business News

TOKYO — At Nippon Steel Chemical's stockholders' meeting June 29 there was no hint of the bombshell the company was about to spring on investors. Just over a week later, the subsidiary of Nippon Steel announced it had hidden foreign-exchange losses of 13.9 billion yen (\$131.1 million).

The loss was caused by a commitment made in August 1990 in a forward foreign-exchange contract to buy \$309.9 million at 152.75 yen to the dollar.

The foreign-exchange loss — the difference between the contract's worth and the amount it would cost to buy dollars now — adds to the company's 8.45 billion yen consolidated current loss in the 1992 financial year and wipes out current profits for about the past five years.

The nightmare for investors is that, under Japanese accounting standards, unrealized losses and gains go unreported until they come to maturity. The forward exchange contracts that many Japanese companies took out in the late 1980s will not come to light as long as the companies ask their banks to push back settlement dates.

In short, "it means you can't trust the financial statements of Japanese companies," said Jason James, investment strategist at James Capel. And the exposure will keep growing, even after the company comes clean with the loss, as long as the dollar continues to weaken, said Mr. James.

The Nippon Steel Chemical case and others like it illustrate the failure of Japanese accounting standards to provide adequate information to investors, analysts say. And

while Japan's Ministry of Finance has issued guidelines to banks recommending caution in extending foreign exchange contracts, they are a long way from demanding tougher disclosure from companies.

In the largest such incident to come to light in recent years, the oil refiner Showa Shell Sekiyu admitted in February that it had a massive projected foreign-exchange loss of 125 billion yen.

"There's no way whatsoever you'd have known from looking at their financial statements," said Nicholas Smith, an oil analyst at Jardine Fleming. "These commitments are off-balance sheet."

Mr. Smith added that he suspected other oil companies, as well as trading companies, of concealing large foreign-exchange losses. And there may be many more.

"There's nothing you can do about it when you look at a company for investment purposes, because there's no way of knowing for sure," said Mr. Smith. "It's one of the unknowns you have to reckon with when you invest in the Japanese market."

One way of stemming the losses and forcing Japanese companies to declare their true positions is to persuade the banks to wind up their contracts instead of forever extending them. The extensions are called historical rate rollovers.

The Federation of Bankers' Associations of Japan and the Ministry of Finance last year issued guidelines to the banks which said that new contracts should not be extended beyond the financial year in which they were made. Old contracts — made prior to mid-1992 — should be wound up by 1995, the guidelines specify.

Chemical Firm Slides Into Loss

Bloomberg Business News

TOKYO — Sumitomo Chemical Co. said Thursday that falling sales and the rising yen forced it into the red in the first half.

Sumitomo posted a current loss of 2.93 billion yen (\$27.5 million) for the six months ended June 30, it had profit of 9.08 billion yen a year earlier.

The company forecast it would break even for the year, after posting a profit of \$9 billion yen for 1992.

Sumitomo said a July 4 explosion at an epoxy resin plant was not factored into the earnings and would not have much impact on annual results.

Taxes for Tobacco Tycoon

Agence France Press

MANILA — The tobacco tycoon Licio Tan owes the Philippine government \$281.5 million in unpaid taxes from last year, but he may be offered a compromise allowing him to escape prosecution to avoid a capital flight, an official said Thursday.

The Internal Revenue commissioner, Livaway Chato, said the government would also finish assessing in three weeks back taxes on Mr. Tan's flagship company, Fortune Tobacco, from 1986 to 1991. Mr. Tan plans to protest the assessment, his lawyer said.

Ms. Chato added that other suspected large tax evaders were being investigated but declined to identify them. The crackdown is part of the agency's effort to increase government revenue in the face of growing deficits and widespread tax evasion.

CITIC: China's Growth Can't Keep Up With Investment Concern's Plans

Continued from Page 9

A 10 percent stake in the Portland aluminum smelter in Victoria for \$140 million.

Now CITIC Australia, which has moved into trading and financial services, is looking to greatly expand from its current 266 million Australian dollars (\$179.8 million) in assets to at least double that within the next year and to quadruple annual revenue from about 100 million Australian dollars.

Mr. Zhang, who is about to close deals on buying into a major meat packer and a Queensland coal mine, plans four business lines: energy and minerals investment; commodity trading;

financial services; and consulting. Any one, or all of them in some combination, could eventually be listed as a public company in Australia.

A related company, China International Trust & Investment Corp. Hong Kong (Holdings) Ltd., set the example when it listed its subsidiary CITIC Pacific Ltd. on the Hong Kong stock market.

The market value of CITIC Pacific, which contains several of CITIC's investments in blue-chip Hong Kong businesses, has increased from approximately 1.1 billion Hong Kong dollars (\$141.8 million) in early 1991 to over 30 billion Hong Kong dollars at end of March 1993.

CITIC Australia recently took a 10 percent stake Yaohan International, a private Japanese company that is based in Hong Kong. Yaohan operates department stores and has targeted China for building a supermarket business which can sell food sourced by CITIC Australia.

The Melbourne-based CITIC Australia also formed a joint venture, C.H. China Securities Ltd., with the Hambros Australia brokerage house in Sydney, a first for China. The venture will sell Chinese equities open to foreign investors, create an Australian-listed China investment fund and possibly provide fund management services to China's domestic stock market.

AMEX Thursday's 3 p.m. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press. Table with columns for 12 Month High/Low/Last/Chg, Div, Yld, PE, etc. Rows include various stocks like AMZN, AAPL, etc.

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Table with columns for 12 Month High/Low/Last/Chg, Div, Yld, PE, etc. Rows include various stocks like AMZN, AAPL, etc.

SPORTS BASEBALL

Blue Jays Rally, Again, To Embarrass Orioles

Compiled by Our Staff From Dispatches
It was predictable.
For the second time in two nights, the Toronto Blue Jays rallied late to beat the Baltimore Orioles. They erased a two-run deficit with two runs in the seventh inning, then an error by shortstop Cal Ripken allowed a run to score in the 10th as the Blue Jays won, 5-4, Wednesday evening.
And, for the fourth time this year, for the 13th time since the final series of the 1989 season, the Blue Jays had beaten the Orioles in their final at-bat.
Baltimore, with its third straight loss, fell 3½ games behind first-place Toronto in the American League East. Toronto, which has won six of its last seven, retained its half-game lead over New York and remained 1½ ahead of Boston.
Reliever Mark Williamson issued a one-out walk in the 10th in Paul Molitor. Joe Carter then fouled off some tough pitches before singling through the middle, with Molitor racing to third when center fielder Mike Devereaux bobbled the ball for an error. John Olerud was intentionally walked to load the bases.
With the infield in, Tony Fernandez hit a ground ball toward Ripken, perhaps baseball's most sure-handed shortstop. But he bobbled the ball, then threw high to

catcher Chris Hoiles as Molitor came sliding home.
Olerud, who had extended his hitting streak to 15 games with his 20th home run earlier — he is now batting .403 — set a team record with his 27th intentional walk.
"I wasn't expecting it," he said. "I thought they'd bring in a left-hander to try and get the double play."
Olerud, who went 1-for-2 with three walks, said he doesn't mind

drove in two runs in a sixth-inning rally that helped Boston snap a two-game losing streak in Milwaukee.
Cooper grounded a bases-loaded single to put the Red Sox ahead, 4-3. Flaherty, batting .091, followed with a two-run double to complete the four-run inning.
White Sox 9, Indians 4: Robin Ventura hit a first-inning grand slam and Bo Jackson a three-run homer as Chicago swept three games from visiting Cleveland. Jackson's three-run homer capped a five-run second.

AL ROUNDUP

the attention that goes with hitting streaks and a high batting average.
"I wouldn't mind going through that kind of pressure again," he said. "I wouldn't mind putting off the 0-for for as long as possible."
Yankees 12, Tigers 7: Pat Kelly bopped and singled for a career-high four RBIs as New York won in Detroit.
Don Mattingly and Paul O'Neill also homered for the Yankees, who had 18 hits, the most against Detroit this season. Travis Fryman got five hits for the first time in the majors and became the first Tiger to hit for the cycle since Hoot Evers against Cleveland on Sept. 9, 1950.
Red Sox 8, Brewers 4: Scott Cooper and John Flaherty each

Rangers 10, Royals 3: Rafael Palmeiro's second homer of the game capped a five-run fifth that gave Texas its victory in Kansas City.
Palmeiro, whose homer the night before was Texas's lone hit in a 1-0 victory over Kevin Appier, hit his 22d of the season in the fourth. In the fifth, Palmeiro lined a two-run homer into the Kansas City bullpen.
Ivan Rodriguez went 4-for-4 and tied the Rangers' record with eight straight hits over two games. The major league record is 12.
Angels 3, Athletics 2: Mark Langston beat visiting Oakland for the first time in six seasons as Chili Davis doubled in two runs for California. (WP, AP)



Mark McLemore couldn't get to John Olerud's homer, then a walk in the ninth led to more bad news.

A Record Tied Griffey Homers in No. 8

The Associated Press
SEATTLE—It was a most unlikely drive, although certainly long enough, but with it Ken Griffey Jr. of the Seattle Mariners tied a major-league record by homering in his eighth consecutive game.
The shot off the facing of the third deck in right field came in the seventh inning of Seattle's 5-1 loss to the Minnesota Twins on Wednesday night and tied the record set by Dale Long of the Pittsburgh Pirates in 1956 and Don Mattingly of the New York Yankees in 1987.
Griffey, who is 23, could break the record against Minnesota's Scott Erickson on Thursday night. But Erickson, although 6-11 with a 5.50 earned-run average, has given up only 15 home runs in 21 starts this year.
The record-tying homer came on the first pitch of the seventh by Minnesota starter Willie Banks, who had allowed only two hits up to that point. Banks had struck out Griffey in the first inning and got him to ground out to first base in the fourth.
Then he threw a high fastball.
"Was that pitch over his head or what?" said the Twins' manager, Tom Kelly. "He didn't hit it short, either. He tomahawked the hell out of it."
As Griffey went around the bases he received a long, standing ovation. Then he came out of the dugout twice to acknowledge the Kingdom crowd of 30,813. In the dugout, there were congratulations and handshakes from teammates and coaches for both Griffey and his father, the Mariners' hitting coach, Ken Griffey Sr.
After the game, Griffey wouldn't meet with reporters, but Dave Asst, the team's director of public relations, said Griffey told him he would talk "when it's all done."
"Junior is just 23," said a teammate, Mike Feller. "All this is overwhelming to him."
Griffey, already a four-time All Star, has hit 117 homers in four big-league seasons. The one Wednesday night gave him the major league lead this season. He has 76 runs batted in, 27 fewer than his career-best of 103 set last season, and is batting .318. He hit a grand slam Tuesday off Minnesota's Kevin Tapani.
"Amazing? No, I'm not amazed. Surprised. No, I'm not surprised," said Ken Griffey Sr. "I know what he can do and it's just a matter of whether he wants it. We'll see how it works out."

Phillies Gain in East, Giants Falter in West

The Associated Press
The races in the National League are going in different directions.
San Francisco saw its once-10-game lead in the West cut to seven over Atlanta Wednesday night, while Philadelphia extended its margin over St. Louis in six.
Darren Daulton drove in six runs, four with a grand-slam home run, and Dave Hollins' two-run triple in the seventh inning put Philadelphia ahead in stay as the Phillies, playing at home, rallied to beat the Cardinals, 14-6.
The Phillies trailed, 4-0, when they first came to bat after Todd

Zeile hit a grand slam off starter Terry Mulholland. But Philadelphia led it in the third, scoring four runs on five hits.
"I had a feeling," Daulton said. "I don't know why, I thought we'd be in the game all the way. I guess it

knuckleball, holding them to five hits for 8½ innings and Los Angeles continued its mastery over host San Francisco, taking two of three games to improve its season record against the first-place Giants to 6-3.
The Dodgers got both runs in the third, with Jose Offerman doubling down the left-field line to score Jody Reed, who led off the inning with a single, and Eric Davis following with an RBI single that got past a diving Royce Clayton at shortstop.
Braves 3, Rockies 2: Ron Gant's 24th homer snapped an eighth-inning tie as Atlanta beat host Colo-

NL ROUNDUP

was the power of positive thinking." Loser Lee Guetterman pitched one inning and gave up three runs on three hits.
Dodgers 2, Giants 1: Tom Candiotti baffled the Giants with his

knuckleball, holding them to five hits for 8½ innings and Los Angeles continued its mastery over host San Francisco, taking two of three games to improve its season record against the first-place Giants to 6-3.
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SIDELINES

Forsbrand and Baker Lead in Golf
KUNGSBACKA, Sweden (AP) — Anders Forsbrand of Sweden and Peter Baker of England shot 5-under-par 67 Thursday to share the first-round lead in the Scandinavian Masters golf tournament.
Sam Torrance of Scotland headed a group of six players at 68. Nick Faldo, the world's top-ranked player, started the defense on the title he won on another course in southern Sweden last year with a 69.
Forsbrand, trying to become the first Swede to qualify for Europe's Ryder Cup team, birdied the 18th hole from about five meters to go Sunday before a big gallery at the Forsvarden Golf Club.

NBA 76ers Sign Top Pick Bradley
PHILADELPHIA (AP) — First-round draft pick Shawn Bradley, a 7-foot-6 center and the second overall choice in the NBA draft, has signed a multiyear contract with the Philadelphia 76ers.
Terms were not disclosed, but the 76ers' owner, Harold Katz, called the signing of Bradley, who has not played in two years, "the biggest gamble I've ever taken to go after a free agent or two."
That's because the club renounced all rights to Manute Bol, Ron Anderson, Greg Grant, Mitchell Wiggins, Eddie Lee Wilkins and Charles Shackelford.
The Los Angeles County district attorney's office is expected to decide Thursday or Friday whether to file criminal charges in the case.
The Mets have shielded Coleman from the news media and have not disciplined him, other than to publicly condemn his actions as "reprehensible."
On Tuesday, Green blamed the news media for his inability to play Coleman, a comment that underscores an uneasy relationship between the manager and reporters.
On more than one occasion, Green has ejected reporters from his office and attempted to eject them from the clubhouse. On Wednesday, before Sabers had made his statement, Green looked at reporters and muttered, "I don't know who's worse."

Mets Try to Cool Media War, but Was It Really Just Fun?

By Jennifer Frey
New York Times Service
NEW YORK — The New York Mets held two closed-door meetings before the game against the Florida Marlins in an attempt to address their plummeting public image and their increasingly volatile relationship with the New York-area news media.
The players met first with the team's manager, Dallas Green, and his assistant vice president, Gerry Husnick, then with Donald Fehr, the president of the Players Association. Fehr had called an emergency meeting to discuss what he termed "an adversarial relationship between some members of the club and members of the media."
After the two meetings broke up, pitcher Bret Saberhagen gave a public apology for lighting a firecracker and throwing it under a table near reporters after a game July 7. "It was an inappropriate thing that I did, the practical joke," Saberhagen said.
Then Green and Husnick both insisted that the organization did not want its public image and would respond in certain unacceptable behavior by its players.

After the game, Saberhagen denied that he was the one Tuesday night who, from behind, sprayed bleach on three reporters interviewing pitcher Dwight Gooden in the clubhouse. Despite a request by management, the guilty player did not step forward and take responsibility.
"I've talked to the players and I've told them very strongly that the use of firecrackers, fireworks or anything even resembling fireworks — we're not going to tolerate it anymore," Green said. "We're not going to stand for any pranks, any practical jokes with the media. I told the club in no uncertain terms that's the way I expect the behavior in be in the clubhouse."
But the words of Saberhagen, Husnick and Green seemed to contrast with other statements or actions made recently:
Saberhagen did not direct any part of his terse apology to the members of the news media, who were the targets of the firecracker, and he continued to insist that it was nothing more than a "practical joke."

On the same day he promised a strong response to the bleach incident, Husnick acknowledged that the Mets were taking no disciplinary action against Saberhagen.
Green was told of the firecracker incident by members of the news media on the day it occurred, but, according to statements made by Saberhagen on Tuesday, Green never spoke to him about it.
According to Husnick, Green had a meeting with the players following the July 7 incident in which he insisted that they should put away the toys.
Obviously, though, at least two players — Vince Coleman and whoever sprayed the bleach on the reporters — did not pay much attention.
Coleman was benched Wednesday for the second straight game in response to what Green called the "distractions" that surrounded the investigation of the outfielder by the Los Angeles Fire Department over an explosive that caused three injuries in the Dodger Stadium parking after a game Saturday.

Attorneys for the family of a 2-year-old girl who sustained second-degree burns under her right eye, an injury to her right hand and lacerations of her torso, according to the attorneys, said they will file a civil lawsuit against Coleman.
The Los Angeles County district attorney's office is expected to decide Thursday or Friday whether to file criminal charges in the case.
The Mets have shielded Coleman from the news media and have not disciplined him, other than to publicly condemn his actions as "reprehensible."
On Tuesday, Green blamed the news media for his inability to play Coleman, a comment that underscores an uneasy relationship between the manager and reporters.
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For the Record
Mario Lemieux, the NHL star bothered by recurring back pain last season, underwent surgery in which a muscle hernia in his lower back was repaired. (AP)
Goyo Vargas of Mexico, the WBC featherweight champion, will defend his title against Kevin Kelley of the United States in Dublin on Sept. 11. (AP)
Antonio Davis, who last season played for Philips Milan in the Italian league, signed with the NBA Indiana Pacers after last three seasons in Europe. (AP)

Record Ended Young Stops at No. 27

By Jennifer Frey
New York Times Service
NEW YORK — He didn't end it with a strikeout, or a slider-induced grounder or even a simple fly ball. In fact, he didn't even end it on the mound.
Anthony Young was sitting on the dugout bench when Eddie Murray hit a line drive to the right-field corner, and he was on his feet screaming in celebration when Ryan Thompson bunny bopped across the plate. New York had scored two runs in the bottom of the ninth, and Young — the much-celebrated loser — had finally gotten that elusive victory.
Despite a rocky one-inning relief performance that yielded a run and, temporarily, the lead, Young's 27-game losing streak came to an end Wednesday night with a 5-4 victory over the Florida Marlins.
The losing streak, which dated to May 6, 1992, and stands as the longest in major league baseball history, included 14 defeats as a starter and 13 as a reliever. It stretched across 81 appearances and two seasons. He last won on April 19, 1992, a victory drought of 463 days. And it made Young absolutely miserable.
"It wasn't a monkey," he said. "It was a zoo."
As Young relieved starter Bret Saberhagen and the top of the ninth unfolded, the outcome was most certainly in doubt.
The first batter, Benito Santiago, singled to right. On the next play, catcher Todd Hundley failed to cleanly field Darrell Whitmore's bunt, allowing Whitmore to reach first and Santiago to move to second. Walt Weiss then laid down a bunt toward third that Young quickly fielded — but he never threw the ball.
Young looked at third, but could not find Bobby Bonilla, then turned to first and found it was no late. He stood there, looking somewhat dumbfounded, with no outs and the bases loaded and less than 28 breathing down his neck.
His first bit of good luck came on the next play. Pinch-hitter Rich Renner hit a grounder that Bonilla fielded and threw home. Hundley then threw to first for a double play. But Chuck Carr came to bat and bunted to score Whitmore and the Marlins had the lead.
Young escaped the inning then, but was forced to depend on his teammates for salvation — an uncomfortable situation. "I've lost a lot of games that way," Young said.

DENNIS THE MENACE



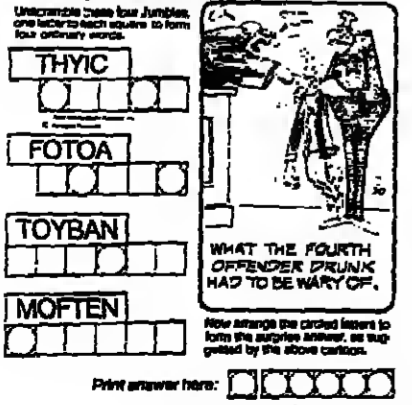
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CALVIN AND HOBBES



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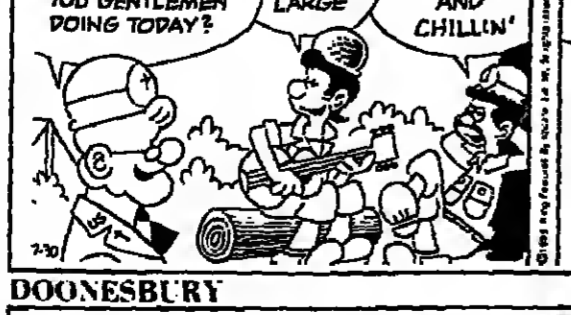
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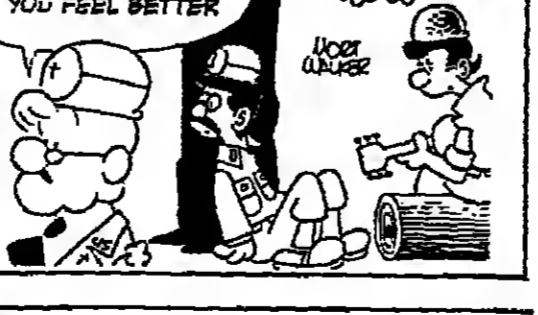
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SPORTS BASKETBALL

Not Just Players Face Bans, Says Head of Soccer

VALENCIENNES, France — The president of France's soccer federation, Noël Le Graet, said Thursday that those involved in allegedly fixing the Marseille-Valenciennes match in May are about to be punished, and suggested that the punishments would be more widely meted out than he had previously indicated.



STORMY START — Jeff Stagg, a crewman on the British yacht Provezze Source, got a soaking Thursday as he tended to a splintered mast during the first day of the Admiral's Cup races. Australia took the overall lead, while one of the Irish boats, the Jameson One, owned by the king of Norway, struck a rock in the heavy seas and sank just short of the beach west of Cowes, England.

Controversy Flares Over Death of Lewis

BOSTON — More controversy surfaced Thursday concerning the diagnosis and the death of Reggie Lewis. Lewis, the star and captain of the Boston Celtics, who collapsed during a National Basketball Association game in April, collapsed again while shooting baskets Tuesday evening at the team's training center at Brandeis University in suburban Waltham. He was pronounced dead after doctors and paramedics tried for nearly two hours to resuscitate him.

'A Very Positive Presence' in a Bad Community

SAN ANTONIO, Texas — An hour before his East team was to go on court at the U.S. Olympic Festival, Dante Bright sat alone in the bleachers, listening to music through earphones. His thoughts miles away.

He also had a basketball court built and donated sneakers to the Cecil Kirk Center, where Lewis first played basketball. "He never forgot where he came from," Bright said. "That's why this is such a big blow to East Baltimore. Kids have one less role model in the community."

SCOREBOARD

Table with baseball scores for Major League Standings, Wednesday's Line Scores, and various leagues like Japanese Leagues, Football, and Soccer.

Chargers Lose Top Defensive Back Gill Byrd

Gill Byrd won't get a chance to bedevil John Elway again this season. Byrd, the San Diego Chargers' career interceptions leader and Elway's main nemesis, underwent reconstructive surgery on his left knee Wednesday and is out for the National Football League season.

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Advertisement for International Classified with sections for Employment, Announcements, Today's Holidays & Travel Section, Auto Rentals, and various business services.

Advertisements for Escort Services including Belle Epoch, Belgravia Orchids, Mercedes, and others.

Advertisement for International Classified featuring sections for Escorts & Guides, Tokyo Executive, Zurich Blue Heaven, and various other services.

Large advertisement for Herald Tribune International Classified with a grid of classified ads for various countries and services.

OBSERVER

A Failure in Chic

By Russell Baker
NEW YORK — I learn from Styles of The Times, my favorite guide to up-to-date dressing, that it is no longer de rigueur to have your jacket sleeve sewn to your jacket. To do so may even be gauche, revealing you are out of touch with the deconstructionist movement in menswear.

right shoulder. Repeated efforts to scrub it out had made it large enough to be visible from the next block.
So naturally my heart leapt up at that picture of the severed jacket arm. "What is deconstructionism, anyway?" I asked a chunk of bold type. Smaller print gave the fashion answer: "Undoing the construction of a thing."

Robert Altman, a Bigger Player Than Ever

By Bernard Weinraub
New York Times Service

LOS ANGELES — At 68, an age when most of Hollywood's filmmakers are retired, ignored or treated like dinosaurs by movie executives and talent agents, Robert Altman has embarked on the most radical and adventurous journey of his career.
People here have just come to the conclusion that I'm not going to go away," he said the other afternoon. "I seem to have become like one of those old standards, in musical terms. Always around. Lauren Bacall said to me, 'You just don't quit, do you?' Guess not. I guess 30-year-olds out here have decided I'm not just an old man living in the past."



He may not look, it but Robert Altman has enough projects to be "busy for the rest of my life."

the studios, running the video companies. They're all making big money, but they're not looking for, they don't have a vested interest in, the shelf life of a movie. There's no overview. No one says, 'Forty years from now, who's going to want to see this?' No visionaries.
The Japanese will disappear from Hollywood," he said. "They infused a lot of money in here. They'll eventually all that interest out. The Japanese have been made kind of fools of here, and I think they're beginning to get it. They say they don't have any artistic or cultural input. So what are they doing here? They're just bankers and they're being treated like that, and eventually they won't like it."

families whose lives are entangled in strange, funny and violent ways. The film's most startling and talked-about scene is one in which the character played by Julianne Moore has an argument with her husband, played by Matthew Modine, while made from the waist down as she cleans her skirt. "This happens all the time — a wife changing her clothes in front of her husband," Altman said.
Altman said he was unconcerned about the film's more than three-hour length and was under no pressure to trim it. Mike Nichols, Jonathan Demme and other filmmakers have seen the movie, he said, and have lavishly praised it and said it should not be cut.

WEATHER

Table with weather forecasts for various regions including Europe, Asia, North America, Middle East, and Latin America. Columns include location, today's weather, and temperature.

CROSSWORD

Crossword puzzle grid with clues for Across and Down. Includes a solution to a puzzle from July 29.

PEOPLE

A Traffic Nightmare For Rock in the Channel

With his usual flamboyance, keyboardist Jean-Michel Jarre pulled out all the stops for a concert at Mont-Saint-Michel, using lasers, giant screens and accompaniment by a candle-toting children's choir. But some fans never reached the rock in the English Channel, linked to France by a road often submerged at high tide. Organizers said about 20,000 cars and 300 buses caused traffic snarls up to 12 miles (20 kilometers) long.

The Duchess of York's hopes of salvaging her public image by becoming a special UN envoy are taking a beating with unflattering newspaper reports that the government and Buckingham Palace are trying to block her appointment.

Former minister Edwina Currie said: "They're a rotten lot of trying to stop a working girl from turning an honest buck."
Meanwhile, Princess Diana spent her 12th wedding anniversary away from her husband, Prince Charles, taking her 8-year-old son Harry on an inspection of British forces based in Germany. William, 11, stayed in London, and Charles had no official engagements.

Blanca Jagger, ex-wife of rock star Mick Jagger, has won undisclosed libel damages from Simon & Schuster, publishers of "The Andy Warhol Diaries." The Nicaraguan-born celebrity-memoirist had said remarks about her party-girl lifestyle in the book demeaned New York society in the decade before Warhol's death in 1987 were damaging and defamatory.

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Appears on Pages 5, 8 & 17

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